**[](https://wecoltd.sharepoint.com/:b:/s/WeCo'sCustomer'sDocumentAccessibilityPortal/ERkhwpIWFMNBrTRx3IbzGi0B90q4Moo5ml32crZWLVykUA?e=UVpEKX)THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY’S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER OF 2024 (THE “REPORTS”). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY.  THE APPROVAL OF THE COMPANY’S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION.  THE ENGLISH TRANSLATION WAS NOT PUBLISHED AND HAS NOT BEEN SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY FOR ITS REVIEW.**

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**QUARTERLY REPORT as of** **June 30, 2024:**

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**G City Ltd.  
Directors' Report to the Shareholders  
for the Period ended on June 30, 2024**

The Board of Directors of G City Ltd. (the “Company”) is pleased to present the Directors’ Report of the Company for the period ended June 30, 2024 (the “Reporting Date”). The scope of this report is limited and it is drafted under the presumption that the readers will also have before them the Company’s periodic report for the year ended December 31, 2023, which was published on March 31, 2024 (Ref. No.: 2024-01-029479) (the “Periodic Report”).

It is hereby clarified that this Report includes only information that the Company believes is material information. Nonetheless, in some cases, to complete the picture, additional information that is not necessarily material information was included.

1. The Company and its Operations
   1. Introduction

The Company, directly and through its private and public investees[[1]](#footnote-1) (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 Israel, North America, 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 the “Tel Aviv Stock Exchange”) under the symbol “GCT”.

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, improvement, 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 in other regions. At the same time, the Group acts to sell properties that are non-core assets, or properties that the Group believes have limited growth potential and/or are in areas where the Group wishes to cut back its operations as well as by partnership in stabilized properties whose improvement is completed.

The Group currently operates mainly through wholly owned private subsidiaries that are consolidated in its financial statements, in which the Company exclusively plans strategy and oversees their management. These operations are carried out by the Company (the Company’s operations in the real estate sector in Israel are known as: “G Israel”), through G City Europe Limited (“G Europe”) that operates in Central Europe, through Gazit Horizons Inc. (“Gazit Horizons") in the United States and through a subsidiary operating in Canada (“Gazit Canada”). In addition, the Company operates in Brazil through Gazit Malls Fll, a real estate investment fund[[2]](#footnote-2) controlled by the Company (indirectly), incorporated in Brazil and that, in February 2024, sold shares under a tender offer on the Sao Paulo Stock Exchange (“Gazit Malls”) (as set out in section B below), and through other wholly owned subsidiaries of the Company in Brazil (“Gazit Brazil”).

In addition, the Group’s operations in Northern Europe are carried out through a public subsidiary controlled by the Company that has a similar strategy and the Company is its largest shareholder. These operations are conducted through Citycon Oyj (“CTY”).

* 1. As part of the Group’s strategy to focus on urban properties, while strengthening equity and lowering leverage, since the beginning of the year through to date of publication of this Report, the Company proactively adopted several significant measures, as follows:

A. Plan for disposal of properties - under which, in since the beginning of the year through to the date of publication of this Report, a wholly owned subsidiary of the Company sold a property in Czech Republic for an amount of NIS 1.0 billion. For further details, see this section below.

B. On February 1, 2024, Gazit Malls completed an IPO for an amount of BRL 301 million (NIS 226 million) on part of the Company’s holdings.[[3]](#footnote-3) Gazit Brasil acquired, within 30 days after the issue, 223 thousand shares through regular trading for an amount of BRL 16 million under a time-limited market making plan that was announced as part of the IPO process.

C. As of January 2023 until the date of the report, the company has not distributed a dividend to its shareholders. On August 14, 2024, the Company's board of directors decided to return to the company's dividend distribution policy, which was adopted by the board of directors in 1998, according to which the company used to distribute dividends to its shareholders on a regular basis every quarter. Accordingly, the company's board of directors decided to distribute a dividend for the third quarter of 2024 in the amount of 0.10 NIS per share (a total of NIS 18.2 million), and this after examining the company's financial situation, including its projected cash flow, and in accordance with the progress of the property disposal plan announced by the company on October 25, 2022, as updated from time to time, as well as other considerations, and in accordance with the distribution tests set forth in the Companies Law, 1999. The Company's board of directors will return and review the scope of the dividend distribution every quarter, in accordance with the aforesaid considerations.

* 1. As aforesaid, on October 25, 2022, the Company published a plan for the disposal of part of the Group’s properties, which is revised from time to time (the “Property Disposal Plan”). Under the Property Disposal Plan, the Company intends to dispose of properties worth a total of NIS 7.1 billion in Europe, Brazil, USA and Israel.

Since publication of the plan through to the date of publication of this Report, the Company and its wholly owned subsidiaries have sold properties worth NIS 4.0 billion, similar to their carrying amounts (other than the property portfolio in Russia).

The scope of disposal of properties and the Group's rate of progress in such disposal, including the pace at which the properties have been put 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 the various countries in which the Group operates, and pursuant to the discretion of the Company’s management, while taking macroeconomic and Company specific considerations into account, and by balancing the Company's needs and maximization of the value of the properties.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Completed** | **In advanced negotiations** | **Being marketed** | **Total** | |  | **NIS million** | | | | | G Europe | 2,816 | 1,099 | 1,307 | 5,222 | | G Israel | 154 | - | 145 | 299 | | Gazit Horizons | 567 | - | 162 | 729 | | Gazit Brasil | 498 | 316 | 34 | 848 | | **Total** | **4,035** | **1,415** | **1,648** | **7,098** | |

Furthermore, the partial public tender offer of Gazit Malls was completed for an amount of BRL 301 million (NIS 226 million).

In addition, the Company and its wholly-owned subsidiary intend to act to obtain financing, to be secured by several debt-free properties (mainly properties in Europe), for a cumulative amount of EUR 118 million.

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

* 1. The Group’s assets as at June 30, 2024 (including jointly controlled properties):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **Key Countries of Operation** | **Holding interest** | **Income-producing property** | **Properties under development** | **Land** | **GLA  (sq.m K)** | | CTY | Finland, Norway, Sweden, Estonia and Denmark | 49.6% | 34 | - | - | 1,084 | | G Europe | Poland and Czech Republic | 100.0% | 14 | 1 | 3 | 362 | | Gazit Brasil | Brazil (Sao Paulo) | 81.9% | 6 | - | 1 | 165 | | G Israel | Israel | 100.0% | 10 | 1 | 2 | 156 | | Gazit Horizons | USA | 100.0% | 11 | 2 | 1 | 55 | | Gazit Canada | Canada | 100.0% | 1 | - | - | 18 | | **Total carrying amount** | |  | **76** | **4** | **7** | **1,840** | | Jointly controlled properties (proportionate consolidation) | | | 10 | 1 | 1 | 28 | | **Total** |  |  | **86** | **5** | **8** | **1,868** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | **Investment property and investment property under development** | | | | |  |  | **Income-producing property** | **Properties under development[[4]](#footnote-4)** | **Land** | **Total** | |  | **Key Countries of Operation** | **NIS million** | | | | | CTY | Finland, Norway, Sweden, Estonia and Denmark | 16,753 | - | - | 16,753 | | G Europe | Poland and Czech Republic | 7,457 | 277 | 673 | 8,407 | | Gazit Brasil | Brazil (Sao Paulo) | 2,199 | - | 47 | 2,246 | | G Israel | Israel | 3,767 | 407 | 778 | 4,952 | | Gazit Horizons | USA | 1,619 | 393 | 223 | 2,235 | | Gazit Canada | Canada | 183 | - | - | 183 | | **Total carrying amount** | | **31,978[[5]](#footnote-5)** | **1,077** | **1,721** | **34,776** | | Jointly controlled properties (proportionate consolidation) | | 625 | 458 | 7 | 1,090 | | **Total** |  | **32,603** | **1,535** | **1,728** | **35,866** | |

Breakdown of the properties classified as assets held for sale included in the Group's total assets as at June 30, 2024:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  | | --- | --- | --- | --- | |  | **Country** | **Number of properties** | **Carrying amount** | |  |  |  | **NIS million** | | G Europe | Czech Republic | 1 | 1,020 (1) | | Gazit Brasil | Brazil | 1 | 315 | | CTY | Norway, Sweden, Denmark and Estonia | 4 | 1,205 | | **Total carrying amount** | | **6** | **2,540** | |

1. Including land in Romania at an amount of NIS 28 million
   1. Breakdown of the Company’s investments in its operating regions (based on expanded separate information) as of June 30, 2024:

|  |  |
| --- | --- |
|  |  |

* 1. The Company’s Major Holdings (holding structure and interests are as of June 30, 2024):

|  |
| --- |
| Central Europe  Northern Europe  Canada  Brazil  USA  Israel |

1.7. Highlights - Second Quarter of 2024 (the “Quarter”)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **(NIS millions, other than per share data)** | | **June 30** | **December 31** |  | |  |  | **2024** | **2023** |  | | Net debt to total assets ratio (expanded separate information) | | 66.3% | 66.6% |  | | Net debt to balance sheet ratio (consolidated) 1 | | 61.4% | 62.0% |  | | Equity attributable to equity holders of the Company | | 4,925 | 4,837 |  | | Equity per share attributable to shareholders of the Company (NIS) | | 26.6 | 26.0 |  | |  | | **For the 3 months ended**  **June 30** | |  | |  |  | **2024** | **2023** | **Change** | | Rental and other income | | 632 | 585 | 8.0% | | NOI 2 | | 438 | 418 | 4.8% | | NOI net of operations in Russia and additional properties that were sold 3 | | 438 | 391 | 12.0% | | Funds from operations (FFO) per share (expanded separate information) (in NIS) 4 | | 0.48 | 0.64 | (25.0%) | | FFO 5 | | 140 | 131 | 6.9% | | FFO per share (in NIS) 5 | | 0.75 | 0.73 | 2.7% | | FFO net of operations in Russia and additional properties that were sold 7 | | 137 | 114 | 20.2% | | FFO per share (in NIS) net of operations in Russia and additional properties that were sold | | 0.74 | 0.64 | 15.6% | | Number of shares used in calculating the FFO per share (thousands) | | 186,078 | 178,462 | 4.3% | | Acquisition, construction and development of investment property 6 | | 96 | 434 | - | | Disposal of investment property 6 | | 94 | 617 | - | | Fair value gain from investment property and investment property under development, net | | 344 | 138 | - | | Net income (loss) attributable to shareholders of the Company | | 329 | (3) | - | | Diluted net earnings (loss) per share (NIS) | | 1.54 | (0.01) | - | | Cash flows from operating activities | | 158 | 104 | - | | 1 | For further information concerning the net debt to total (consolidated) balance sheet ratio, including accrued interest for this debt, see section 7 below. | | | | | 2 | NOI - Net Operating Income - rental and other income, net of property operating and other expenses | | | | | 3 | Deducting the NOI from sold properties (see section 1.1 above). |  |  |  | | 4 | See section 2.2 below. | | | | | 5 | The FFO is presented according to the management approach and in accordance with EPRA regulations. For the FFO calculation, see section 2.3 below. | | | | | 6 | From the consolidated statements of cash flows attributable to the Company | | | | | 7 | Deducting the NOI from sold properties (see section 1.1 above) and decreasing interest expenses by taking into account the proceeds from the sale of properties. | | | | |

1.7. Highlights - Second Quarter of 2024 (the “Quarter”) (contd.)

* As at June 30, 2024, the Company and its subsidiaries have liquid balances and unutilized lines of credit available for immediate withdrawal amounting to NIS 3.2 billion (of which NIS 1.3 billion in the Company and its wholly owned subsidiaries, and includes cash and cash equivalents, marketable securities and short term deposits of NIS 0.7 billion). The liquid balances and unutilized lines of credit in the Company and its wholly owned subsidiaries as at date of publication of this Report amount to NIS 2.1 billion, and this in view of transactions subsequent to reporting date, including the issue of a new debenture series (Series T), which is secured by a lien on real estate properties in Poland for an amount of NIS 645 million, and the expansion of an unsecured debenture series (Series N) in an amount of NIS 192 million.
* In the quarter, the Company issued a new debenture series (Series S) that is secured by a second degree lien on a real estate property in Israel for an amount of NIS 495 million. For further information see Note 3A7 to the financial statements.
* In the quarter, the Company expanded an existing debenture series (Series P) that is secured by shares of G Europe (a wholly owned subsidiary of the Company) for an amount of NIS 336 million. For further information see Note 3A8 to the financial statements.
* In the quarter, CTY executed proactive early redemption of all outstanding Debentures (Series 2024) for an amount of EUR 97 million. For further information see Note 3A9 to the financial statements.
* In the quarter, CTY executed an exchange of EUR 266 million par value Hybrid debentures in return for the issue of a new series of hybrid debentures and cash payment. For further information see Note 3A10 to the financial statements.

1.8. Highlights of the first six months of 2024 (“Reporting Period”)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **(NIS millions, other than per share data)** | | **For the 6 months ended**  **June 30** | |  | |  |  | **2024** | **2023** | **Change** | | Rental and other income | | 1,253 | 1,189 | 5.4% | | NOI 1 | | 856 | 828 | 3.4% | | NOI net of operations in Russia and additional properties that were sold 2 | | 850 | 737 | 15.3% | | Funds from operations (FFO) per share (expanded separate information) (in NIS) 3 | | 0.90 | 1.26 | (28.6%) | | FFO 4 | | 224 | 255 | (12.2%) | | FFO per share (in NIS) 4 | | 1.20 | 1.46 | (17.8%) | | FFO net of operations in Russia and additional properties that were sold | | 219 | 187 | 17.1% | | FFO per share (in NIS) net of operations in Russia and additional properties that were sold 6 | | 1.18 | 1.07 | 10.3% | | Number of shares used in calculating the FFO per share (thousands) | | 186,117 | 175,035 | 6.3% | | Acquisition, construction and development of investment property5 | | 249 | 1,008 | - | | Disposal of investment property 5 | | 569 | 956 | - | | Fair value gain from investment property and investment property under development, net | | 340 | 293 | - | | Net income (loss) attributable to shareholders of the Company | | 252 | (512) | - | | Diluted net earnings (loss) per share (NIS) | | 1.22 | (2.94) | - | | Cash flows from operating activities | | 282 | 339 | - | | 1 | NOI - Net Operating Income - rental and other income, net of property operating and other expenses | | | | | 2 | Deducting the NOI from sold properties (see section 1.1 above). |  |  |  | | 3 | See section 2.2 below. | | | | | 4 | The FFO is presented according to the management approach and in accordance with EPRA regulations. For the FFO calculation, see section 2.3 below. | | | | | 5 | From the consolidated statements of cash flows attributable to the Company | | | | | 6 | Deducting the NOI from sold properties (see section 1.1 above) and decreasing interest expenses by taking into account the proceeds from the sale of properties. | | | | |

* In the reporting period the Company issued a new debenture series (Series R) that is secured by the shares of a special purpose company wholly owned by the Company that holds income generating real estate in the United States, for an amount of NIS 410 million. For further information see Note 3A1 to the financial statements.
* In the reporting period, the Company issued a new debenture series (Series S) that is secured by a second degree lien on a real estate property in Israel for an amount of NIS 495 million. For further information see Note 3A7 to the financial statements.
* In the reporting period, the Company expanded an existing debenture series (Series P) that is secured by shares of G Europe (a wholly owned subsidiary of the Company) for an amount of NIS 336 million. For further information see Note 3A8 to the financial statements.
* In the reporting period, CTY executed proactive early redemption of all outstanding Debentures (Series 2024) for an amount of EUR 97 million. For further information see Note 3A9 to the financial statements.
* In the reporting period, CTY exchanged hybrid debentures in return for the issue of a new series of hybrid debentures and cash payment. For further information see Note 3A10 to the financial statements.
* As a result of the exchange rate changes of the USD, EUR, BRL and CAD against the NIS, and the NOK and SEK against the EUR, the equity attributable to Company shareholders decreased in the reporting period by NIS 115 million (net of the effect of currency swap transactions).
* Generally, the exchange rate fluctuations of the USD, EUR, BRL and CAD against the NIS have the following effect:
* An increase in the exchange rates of these currencies against the NIS has a positive effect on the assets, equity of the Company, NOI and Economic FFO, arising from translation of the foreign currencies to NIS at higher rates.

1.8 Highlights of the first six months of 2024 (“Reporting Period”) (contd.)

* Conversely, a negative effect on the Company’s net income was recorded due to a loss from revaluation of the hedging instruments (financial derivatives) as reflected in the statement of income, by way of increasing financing expenses.
* A devaluation of these exchange rates against the NIS has a negative effect on the Company’s assets, equity, NOI and FFO, and a positive effect on the Company’s net income due to a positive revaluation of the hedging instruments reflected in the statement of income by reducing financing expenses.
* Exchange rate fluctuations of the NEK and SEK against the EUR have the following effects:
* An appreciation (strengthening) of exchange rate of these currencies against the EUR has a positive effect on the Company’s assets, equity, NOI, FFO and net profit, and devaluation (weakening) of these exchange rates against the EUR has a negative effect on these items.

1. Additional Information Concerning the Company’s Assets and Liabilities
   1. Breakdown of the Company’s holdings as at June 30, 2024:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Name of Investee** | **Type of**  **security/property** | **Amount (millions)** | **Holding interest (%)** | **Carrying amount (NIS millions)** | **Market value at June 30, 2024**  **(NIS millions)** | | **CTY** | Shares (OMX) | 91.3 | 49.6 | 2,873 | 1,4496 | | **Israel** | Income-producing property and land | - | - | 4,947 | - | | **Brazil** | Income-producing property and land | - | - | 1,930 | - | | **United States 1** | Income-producing property and land | - | - | 3,002 | - | | **Canada 1** | Income-producing property | - | - | 229 | - | | **Europe 1** | Income-producing property and land | - | - | 7,446 | - | | **Total assets** |  | - | - | **20,427** | - | |

Below is a breakdown of the Company’s balances (including balances of the private subsidiaries as well as G Europe) (below: (“expanded separate information”) as at June 30, 2024 (NIS millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | | Company's debentures | 8,156 | | Debentures of G Europe | 1,862 | | Liabilities to financial institutions | 6,068 | | **Total debentures and debts to financial institutions \*)** | **16,086** | | Other monetary liabilities | 768 | | **Total monetary liabilities** | **16,854** | | Less monetary assets 2 | 3,248 | | Less other investments 3 | 72 | | **Monetary liabilities, net 4** | **13,534** | |

(\*) Amortization schedule of debentures and debts to financial institutions (NIS millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Year** | **Company's debentures** | **Debentures of G Europe** | **Financial Institutions** | | **Mortgages 5** | **Total** | |  |  |  | **Secured** | **Unsecured** |  |  | | 2024 | 562 | - | 3227 | 38 | 87 | 1,009 | | 2025 | 1,199 | 959 | 128 | 38 | 362 | 2,686 | | 2026 | 1,222 | - | 20 | 38 | 915 | 2,195 | | 2027 | 1,445 | 903 | 431 | 224 | 820 | 3,823 | | 2028 | 1,380 | - | 35 | - | 1,181 | 2,596 | | 2029 | 1,342 | - | 34 | - | 154 | 1,530 | | 2030 | 131 | - | 41 | - | 851 | 1,023 | | 2031 | 875 | - | 47 | - | - | 922 | | 2032 onwards | - | - | 302 | - | - | 302 | | **Total** | **8,156** | **1,862** | **1,360** | **338** | **4,370** | **16,086** | |

1 Including an investment in assets through joint transactions presented in the financial statements according to the equity method.

2 Includes mainly cash and cash equivalents, marketable securities and short-term deposits in the amount of NIS 0.7 billion, assets held for sale in the amount of NIS 1.3 billion, loans and receivables in the amount of NIS 1.1 billion and derivative financial instruments in the amount of NIS 0.1 billion.

3 Includes primarily an investment in participation units in private equity funds and other investments.

4 Does not include G Europe hybrid debentures in an amount of NIS 953 million, a deferred taxes reserve in the amount of NIS 526 million with regard to investment real estate and other investments and NIS 489 million for non-controlling interests in part of the Company's assets.

5 The repayment dates of mortgages include the mortgage attributed to properties held for sale in 2027 in an amount of NIS 499 million.

6 CTY share price at June 30, 2024 is EUR4.0 per share.

7 The Company is acting to extend the line of credit with the financier.

1. 1. Cash Flow from operating activities - expanded separate information

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Six months ended**  **June 30** | | **Three months ended**  **June 30** | | **Year ended December 31** | |  | **2024** | **2023** | **2024** | **2023** | **2023** | |  | **(NIS millions, other than per share data)** | | | | | | Dividend from public investees | 54 | 87 | 25 | 45 | 179 | | EBITDA from private subsidiaries net of CAPEX other income\* | 405 | 474 | 205 | 254 | 892 | | Total income | 459 | 561 | 230 | 299 | 1,071 | | General and administrative expenses | (36) | (34) | (19) | (15) | (68) | | Interest expenses, net | (249) | (300) | (118) | (165) | (576) | | Taxes | (6) | (6) | (4) | (5) | (14) | | Total expenses | (291) | (340) | (141) | (185) | (658) | |  |  |  |  |  |  | | Cash Flow from operating activities | 168 | 221 | 89 | 114 | 413 | |  |  |  |  |  |  | | Cash Flow from operating activities per share (in NIS) | 0.90 | 1.26 | 0.48 | 0.64 | 2.33 | |

\* Includes income from early repayment of interest-bearing debt (not including hybrid debentures), as well as CAPEX in the amount of NIS 60 million in 2023, and NIS 15 million each quarter.

* 1. (EPRA Earnings) FFO:

As is the practice in income-producing real estate companies, the Company customarily publishes information regarding the results of its operating activities in addition to, and without derogating 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 real estate companies to publish a measure for presenting the operating results of a company that are attributable to its shareholders, 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 real estate 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) should 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 shareholders 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 or loss, gains or losses on the sale of properties, and other types of gains or 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 against the accounting net income (loss) are presented in the table below.

The Company assumes that the Adjusted EPRA Earnings measure fairly reflects the operating results of the Company, since it provides a better basis for comparing the Company’s operating results in a particular period with those of previous periods and also 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 the 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.

Below is the calculation of the Company’s FFO and FFO per share, calculated according to the EPRA guidelines and the draft Real Estate Regulations for the stated periods\*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Six months ended**  **June 30** | | **Three months ended**  **June 30** | | **Year ended December 31** | |  | 2024 | 2023 | 2024 | 2023 | 2023 | |  | **(NIS millions, other than per share data)** | | | | | | Net income (loss) attributable to shareholders of the Company | 252 | (512) | 329 | (3) | (1,203) | | Adjustments: |  |  |  |  |  | | Decrease (increase) in investment property and investment property under development, net | (340) | (293) | (344) | (138) | 767 | | Capital loss (gain) on sale of investment property | (62) | 676 | 2 | 158 | 681 | | Changes in the fair value of financial instruments, including derivatives measured at fair value through profit or loss | 20 | 38 | (6) | (31) | 130 | | Adjustments with respect to equity-accounted investees | (104) | (81) | (102) | (110) | (48) | | Deferred taxes and current taxes with respect to disposal of properties | 114 | 24 | 72 | 62 | 94 | | Non-controlling interests' share in above adjustments | 137 | 143 | 23 | 54 | (275) | | Nominal FFO (EPRA Earnings) | 17 | (5) | (26) | (8) | 146 | |  |  |  |  |  |  | | Additional adjustments: |  |  |  |  |  | | CPI and exchange rate linkage differentials | 180 | 252 | 145 | 141 | 328 | | Depreciation and amortization | 9 | 11 | 5 | 6 | 24 | | Other adjustments 1 | 17 | 3 | 6 | 2 | 23 | | FFO according to the management approach (Adjusted EPRA Earnings) | 223 | 261 | 130 | 141 | 521 | | FFO per share according to the management approach (in NIS) | 1.20 | 1.49 | 0.70 | 0.79 | 2.94 | |  |  |  |  |  |  | | Earnings from early redemption of hybrid debentures | 49 | 51 | 34 | 19 | 97 | | Profits for hybrid debentures | (48) | (57) | (24) | (29) | (113) | |  |  |  |  |  |  | | FFO according to the management approach (Adjusted EPRA Earnings) | 224 | 255 | 140 | 131 | 505 | | FFO per share according to the management approach (in NIS) | 1.20 | 1.46 | 0.75 | 0.73 | 2.85 | | FFO without changes in exchange rates according to management approach | 224 | 264 | 140 | 132 |  | | FFO per share without changes in exchange rates according to management approach (NIS) | 1.20 | 1.51 | 0.75 | 0.74 |  | | Number of shares used in calculating the FFO per share (in thousands)2 | 186,117 | 175,035 |  | 178,462 | 177,052 | |

\* It is clarified that the gain/loss component from early repayment of interest-bearing debt is not deducted from the FFO calculation and the gain/loss component from the early redemption of hybrid debentures is added, reflecting the gain/loss from recurring cash flows of the Company’s operations as part of its normal course of business. The FFO data presented above with regard to the 3 and 6 month periods ended on June 30, 2024 were adjusted to the revised method of calculation. The total gain from early redemption of interest-bearing debt included in the FFO calculation for the 6 months ended June 30, 2024 and 2023 is NIS 37 million and NIS 87 million, respectively, and for the 3 months ended June 30, 2024 and 2023, it is NIS 18 million and NIS 68 million, respectively, and for 2023 it was NIS 160 million. For further information, including future cash flow savings resulting from the buy backs, see below in section 2.4.

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

Average weighted for the period.

Below is a breakdown of FFO sources

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Six months ended**  **June 30** | | **Three months ended**  **June 30** | | **Year ended December 31** | |  | 2024 | 2023 | 2024 | 2023 | 2023 | |  | **(NIS millions, other than per share data)** | | | | | | Income |  |  |  |  |  | | NOI from investment property | 421 | 452 | 206 | 224 | 886 | | The Group’s share of CTY’s FFO | 87 | 120 | 42 | 38 | 174 | | The Group’s share of the FFO of subsidiaries other than CTY | 9 | 18 | 6 | 10 | 32 | | Total income | 517 | 590 | 254 | 272 | 1,092 | |  |  |  |  |  |  | | Expenses |  |  |  |  |  | | Real financing, net 1 | (202) | (239) | (69) | (92) | (386) | | General and administrative | (84) | (90) | (40) | (44) | (185) | | Current taxes | (7) | (6) | (5) | (5) | (16) | | Total expenses | (293) | (335) | (114) | (141) | (587) | | FFO as per management approach | 224 | 255 | 140 | 131 | 505 | | FFO per share according to management approach (in NIS) | 1.20 | 1.46 | 0.75 | 0.73 | 2.85 | |

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

2.4. Buyback of debentures and hybrid debentures

The Company uses a major part of the proceeds received from the sale of real estate properties under the Properties Disposal Plan that it announced in October 2022 to buy back marketable debentures in Israel and to buy back marketable hybrid debentures issued by G Europe.

The accounting of these acquisitions are presented as a decrease in the Company's liabilities at their liability value and the difference between the liability value and the purchase price is recognized as profit or loss from early redemption on the date of purchase.

As of January 1, 2023 through to reporting date, the Company and its wholly owned subsidiaries bought back debentures with moderate average useful life in a total amount of NIS 1.4 billion par value for consideration of NIS 1.2 billion.

In addition, the wholly owned subsidiary of the Company bought back hybrid debentures useful life in a total amount of NIS 235 million par value for consideration of NIS 121 million.

As of Q1 2023, the gains from early redemption of the debentures, which reflects a higher return at redemption compared to the issued return of the same debentures (i.e. The effective interest of those debentures) throughout the useful life of the debentures included in the FFO calculation.

The Company believes that, in view of the materiality of such gains, this approach more appropriately represents the FFO calculation of its operations, taking into account the use of its financial sources.

In addition, to complete the picture, the table below presents the future cash flow savings reflected in the return to redemption of the acquired debentures based on their purchase price until the original redemption data of these debentures that adds to decreasing the interest and principal payments that the Company was meant to pay on these debentures.

|  |  |  |  |
| --- | --- | --- | --- |
| Period | Par value Acquired in the period | Total gains recognized in the period | Total cash flow savings over the useful life of the debentures |
|  | NIS million | | |
| Q1-23 | 109.4 | 19.2 | 1.4 |
| Q2-23 | 308.4 | 86.4 | 7.6 |
| Q3-23 | 241.7 | 40.7 | 10.5 |
| Q4-23 | 298.8 | 73.8 | 16.6 |
| Q1-24 | 272.6 | 33.2 | 19.7 |
| Q2-24 | 387.2 | 56.5 | 25.0 |
| Q3-24 |  |  | 25.0 |
| Q4-24 |  |  | 25.0 |
| 2025 |  |  | 93.6 |
| 2026 |  |  | 60.2 |
| 2027 |  |  | 21.3 |
| 2028 |  |  | 3.9 |
| **Total** | **1,618.1** | **309.8** | **309.8** |

2.5. Net property value (EPRA NTA, EPRA NRV and EPRA NDV)

As is customary in the European countries in which the Group operates, and in line with the EPRA position paper, whose objective 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 property and investment property 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 for which the difference between the fair value and intrinsic value is excluded); the EPRA NTA data, which is another measure reflecting net asset value on the assumption that the Company buys and sells assets with certain adjustments to some of the reserves for deferred taxes with respect to the revaluation of investment property and investment property under development to their fair value and less the fair value of the foregoing type of financial derivatives; and the EPRA NDV data that is another measure reflecting the net fair value of assets adjusted to the fair value of the financial liabilities.

The Company believes that the presentation of the EPRA NTA, EPRA NRV and EPRA NDV data enables the net value data of the Company’s properties to be compared with those of other European real estate companies. However, such data do not constitute a valuation of the Company and do not replace the data presented in the financial statements, but rather provide an additional aspect of the Company’s net asset value (NAV) in accordance with the EPRA recommendations. It is clarified that such data are not audited by the Company’s independent auditors.

Below is the calculation of the Company’s EPRA NTA, EPRA NRV and EPRA NDV:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | **At June 30** | | **At December 31** | | |  |  | 2024 | 2023 | | 2023 | |  |  |  | | | | | EPRA NRV | |  |  | |  | | Equity attributable to the shareholders of the Company, per the financial statements | | 4,925 | 5,396 | | 4,837 | | Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) 1 | | 872 | 935 | | 841 | | Fair value asset adjustment for financial derivatives, net 2 | | (89) | (145) | | (33) | | EPRA NRV | | 5,708 | 6,186 | | 5,645 | | EPRA NRV per share (in NIS) | | 30.8 | 34.6 | | 30.3 | | EPRA NTA | |  |  | |  | | Equity attributable to the shareholders of the Company, per the financial statements | | 4,925 | 5,396 | | 4,837 | | Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) 1 | | 494 | 530 | | 484 | | Goodwill adjustment attributable to assets | | (214) | (228) | | (228) | | Fair value asset adjustment for financial derivatives, net 2 | | (89) | (145) | | (33) | | EPRA NTA | | 5,116 | 5,553 | | 5,060 | | EPRA NTA per share (in NIS) | | 27.6 | 31.1 | | 27.1 | | EPRA NDV | |  |  | |  | | Equity attributable to the shareholders of the Company, per the financial statements | | 4,925 | 5,396 | | 4,837 | | Goodwill adjustment attributable to assets | | (214) | (228) | | (228) | | Adjustment of financial liabilities to fair value | | 861 | 2,596 | | 1,209 | | EPRA NDV | | 5,572 | 7,764 | | 5,818 | | EPRA NDV per share (in NIS) | | 30.1 | 43.5 | | 31.2 | | Number of issued shares of the Company used in the calculation (in thousands) 3 | | 185,251 | 178,687 | | 186,378 | | 1. | Net of goodwill generated in business combinations against deferred tax reserves. In EPRA NTA calculation, 50% of the tax reserve is used. | | | | | | 2. | The amount 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. | | | | | |

1. Explanations of the Board of Directors for the Company’s Business Position, its Results of Operations, its Equity and its Cash Flows
2. Key investments and disposals of investment real estate

* In January 2024, G Europe completed the sale of the Arkady Pasnkrac property located in Prague, the Czech Republic, for gross proceeds of EUR 259 million.
* In January 2024, Gazit Horizons completed the sale of the Bridge Tower property located in New York City in the US, for proceeds of USD 153 million.
* In February 2024, CTY completed the acquisition of the partners share (50%) in the Kista Galleria property located in Stockholm, Sweden, for proceeds of EUR 2.5 million. Under this acquisition, CTY assumed the entire debt of the property in the amount of SEK 2.4 billion (NIS 850 million).
* In February 2024, Gazit Malls completed an IPO of its shares in an amount of BRL 301 million (NIS 226 million) by way of a tender offer on part of the Company's holdings. Gazit Brasil acquired, within 30 days after the issue, 223 thousand shares through regular trading for an amount of BRL 16 million under an expanded market making plan at the time the IPO was announced.
* In May 2024, CTY sold a property in Norway for gross proceeds of EUR 30 million, similar to its carrying amount. This sale is part of the Property Disposal Plan of total value of EUR 950 million adopted by CTY, that is designed for the sale of properties worth EUR 350 million in 2024.

1. Key operating information and projects under development

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | Income-producing properties 1 | **GLA**  **(square meters in thousands)** | **Occupancy rates** | | | **June 30, 2024** | **June 30, 2023** | | G Israel | 10 | 156 | 98.1% | 97.9% | | Gazit Brazil | 6 | 165 | 97.3% | 95.9% | | Gazit Horizons | 13 | 69 | 91.2% | 93.7% | | CTY | 34 | 1,084 | 95.2% | 95.5% | | G Europe | 14 | 362 | 93.7% | 93.8% | |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Average basic monthly rent** | | Change in net cash flow from these properties in reporting period 2 | **Net property NOI (millions)** | | | **June 30, 2024** | **June 30, 2023** | **Q2.2024** | **Q2.2023** | | G Israel | NIS 128.2 | NIS 122.3 | 4.0% 3 | NIS 60.6 | NIS 49.7 | | Gazit Brazil | R$ 64.7 | R$ 72 | 6.4% | R$ 51.1 | R$ 63.2 | | Gazit Horizons | $ 59.4 | $ 57 | (0.8%) | $ 5.0 | $ 5.2 | | CTY | € 25 | € 24 | 5.9% | € 54.7 | € 48.9 | | G Europe | € 23.1 | € 16.9 | 14.6% | € 25.1 | € 26.2 | |

1. Includes jointly controlled properties.
2. Change in net cash flow from similar properties in the reporting period compared to the corresponding period last year.
3. Excluding one-time property tax expenses during the reporting period, the change in net cash flow from similar properties of G Israel for the reporting period is 7.0%.

Projects in planning, construction and development

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **Projects under construction** | **Plans** | **Expected Additional Space (sq.m)** | **G City’s share** | **Estimated Date of Completion** | **Actual investment as at June 30, 2024** | **Fair value at June 30, 2024** | **Estimated**  **Cost to Completion** | **Annual NOI**  **Expected Rate of Return on Cost of Investment** | **Expected Return on Investment** | | **(100% in NIS million)** | | | | | **G City Rishon LeZion** | Office tower under construction | 65,100 | 100% | 2026 | 218 | 407 | 588 | 74 | 9.2% | | **Tampa, Florida** | A luxury rental residential project in Downtown Tampa, with 334 rental apartments (with full financial support) [1] | 37,000 | 94% | 2024 | 620 | 865 | 56 | 49 | 7.2% | | **Ostrobramska, Warsaw [2]** | Ostrobramska rental residential project includes 442 apartments and 1,500 sq.m of commercial space on the ground floor adjacent to the existing Atrium Promenade Shopping Mall. It is built on a plot of land owned by the Company | 16,000 | 100% | 2024 | 152 | 209 | 55 | 16 | 7.7% | |  |  | **Total – 100%** |  |  | **990** | **1,481** | **700** | **139** |  | |  |  | **Company's total share** |  |  | **953** | **1,429** | **696** | **135** |  | | [1] At date of publication of this Report, the Company has received Form 4 and started occupancy of the tower | | | | | | | | | | | [2] As at June 30, 2024, the Company has completed two buildings (B + C) out of the project's three (183 apartments out of 442) and has started renting them | | | | | | | | | | |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Land for future development** | **Plans** | **Expected Additional Space (sq.m)** | **G City’s share** | **Estimated Date of Completion** | **Fair value at June 30, 2024** | | **(100% in NIS million)** | | **Tel Hashomer Rental Apartments** | Four residential buildings with 243 rental apartments | 30,700 | 100% | TBD | 302 | | (Before additional rights/betterment tax benefits) for long term rental of 20 years | | **Beit Cal** | Development of mixed-use towers with 70,000 sq.m of office space, 11,000 sq.m of residential space and 6,300 sq.m of commercial space, at this stage the existing building is rented for a period of one year with two options for extension (until the end of 2025)\*\* | 90,100 | 100% | TBD | 415 | | **Brickel, Miami** | Construction of a 61 storey mixed use tower, the application to increase the number of residential apartments to 504 units in the project was approved. | 42,000 | 100% | TBD | 223 | | **Promenada, Warsaw** | Continuation of Stage B of the Promenada Village rental residential project, includes 1,200 apartments for sale and rental (45,000 sq.m) and 5,300 sq.m of commercial space on the ground floor adjacent to the existing Atrium Promenade. It is built on a plot of land owned by the Company that is currently used as a parking lot. | 50,300 | 100% | TBD | 238 | |  |  | **Total** |  |  | **1,178** | | \* The foregoing data includes information about projects in planning and under construction (including expected additional space, completion schedules, completion costs and expected annual NOI) which constitute forward-looking information as defined by the Securities Law, 1968. The foregoing estimates are based on the Company's estimates to date, they are uncertain, may not materialize and are mainly outside the Company's control and depend, among other things and as aforesaid, on the economic situation and the real estate market in the various markets where the properties are located and in which the Company operates, as well as manifestation of the risk factors relevant to the Company's operations (as set out in section 28 of the chapter on the description of the Company’s operations in the Company's Periodic Report for 2023). If the foregoing market conditions change or any of the risk factors materialize, it is possible that changes may apply in the estimated schedules, costs and NOI, respectively.  \*\* In the future, the company will examine the economic programming for partial ownership of the building either by bringing in partners or by selling areas to potential buyers. | | | | | | |

1. Effect of the Macro-economic Environment on the Group’s operations

The Group’s activity is affected by the macro-economic environment (inter alia, population growth/decrease, private consumption volumes, unemployment rates and level of demand) in the various countries in which it operates. These parameters to some extent impact occupancy rates of the properties, the level of rents, the Group’s ability to increase its revenues over time, and the scope and potential of investments and development. For further information concerning the general environment and the effect of external factors on the Company's operations, including the impact of the war in Israel, see section 5 of the chapter on the description of the Company's business and the update thereto.

Below is a breakdown of macro-economic data for the countries in which the Group operates\*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **Growth (GDP)** | |  |  |  |  | |  | **2024 forecast** | **2023** | **Unemployment rate in 2024** | **CPI forecast for 2024** | **Nominal return on government bonds (10 years)** | **Credit rating (S&P)** | | Israel | 1.55% | 1.92% | 3.50% | 2.80% | 4.70% | A+ | | Poland | 2.80% | 0.20% | 5.00% | 3.70% | 5.52% | A | | Finland | (0.25%) | (0.98%) | 7.85% | 1.40% | 2.94% | AA+ | | Norway | 0.80% | 0.48% | 4.00% | 3.55% | 3.47% | AAAu | | Brazil | 2.10% | 2.93% | 7.61% | 4.02% | 11.77% | BB | | Czech Republic | 1.30% | (0.05%) | 3.70% | 2.40% | 3.89% | AA- | | Sweden | 0.70% | 0.08% | 8.30% | 3.10% | 2.08% | AAAu | | USA | 2.30% | 2.50% | 4.00% | 3.10% | 4.17% | AA+u | | Canada | 1.00% | 1.25% | 6.30% | 2.50% | 3.37% | AAA | |

\* Data source: Bloomberg July 2024

International debt rating of subsidiaries:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Rating Agency |  | G City | CTY | G Europe |
| Moody's |  | ilA3 / Stable\* | - | B2 / Negative |
| S&P |  | ilA- / Stable \* | BBB- / Negative | - |

\* The Company’s Debentures (Series R) (Series S) and (Series T) that are secured by a lien, are rated by S&P Maalot and Midroog as ilA and A2.il, respectively.

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 CPI and contributed to the increase in its revenues and the value of its assets, respectively. At the same time, 69% of the Group's debt is not linked to the CPI (after the effect of swap transactions). An increase in the CPI increases the Group’s share of the debt CPI linked financing expenses. The rental linkage mechanisms constitute long-term financial hedging against the increase in the Company's financing expenses due to the CPI linkage, and with regard to the CPI linked debt (against which there is no CPI linked income in Israel), the Company executes hedging through cross-currency swaps that also include CPI hedging.

Furthermore, 88% of the Group's debt is long term at fixed interest (after hedging transactions) and therefore in the short term the Company does not expect that the domestic interest rate increase will not significantly affect the Company's financing expenses. At the same time, the Company is aware that the debt raising costs will grow in line with the increase in market interest rates and estimates that the debt raising costs will increase in accordance with additional increases in the market interest rate, if there will be any.

It is hereby clarified that the Company is unable to estimate the future effects of the macro-economic changes on its operations and if the foregoing changes will lead to a global recession it could adversely affect the Group's operations and results. For further information see the chapter on Risk Factors in the Company’s periodic report for 2023.

1. 1. Material Events in the Group in the Reporting Period
2. For further information concerning the Company's issue of new debentures (Series R), that are secured by the shares of private companies that own investment real estate in the United States, for an amount of NIS 410 million, see Note 3A1 to the financial statements.
3. For further information concerning the Company's issue of new debentures (Series S), that are secured by the shares of two real estate properties in Israel, for an amount of NIS 495 million, see Note 3A7 to the financial statements.
4. For further information concerning the Company's expansion of an existing debenture series (Series P) that is secured by shares of G Europe (a wholly owned subsidiary of the Company) for an amount of NIS 336 million, see Note 3A8 to the financial statements.
5. For further information regarding the buyback of the Company’s debentures for an amount of NIS 120 million par value, see Note 3A2 to the financial statements.
6. In the Quarter, the Company executed a buy-back of 1.1 million shares of the Company for NIS 10 million.
7. For further information regarding the issue of debentures by CTY for the amount of EUR 300 million, see Note 3A3 to the financial statements.
8. For further information regarding the buyback of debentures by CTY in the amount of EUR 213.2 million, see Note 3A4 to the financial statements.
9. For further information concerning the proactive early redemption of all outstanding Debentures (Series 2024) of CTY for an amount of EUR 97 million, see Note 3A9 to the financial statements.
10. For further information regarding buy back of G Europe debentures and hybrid debentures for an amount of EUR 101 million par value and EUR 33.5 par value, respectively, see Notes 3A5 and 3A6 to the financial statements.
11. For further information concerning the issue of part of the operations in Brazil by way of a tender offer for an amount of BRL 301 million (NIS 226 million), see Note 3B1 to the financial statements.
12. For further information regarding equity raising by CTY in the amount of EUR 48 million and the Company’s participation in the issue, see Note 3B2 to the financial statements.
13. For further information concerning CTY’s acquisition of the partner's holdings (50%) in a joint transaction in Sweden, see Note 3B3 to the financial statements.
14. In May 2024, CTY extended the term of the financing agreement in the amount of EUR 650 million (consisting of a revolving credit line of EUR 400 million and a long term loan in an amount of EUR 250 million), by way of exercising options given to CTY under the agreement, for a further period of one year (until April 2027). Furthermore, CTY extended the loan agreement assigned to it as part of the acquisition of Kista, for a period of five years (until May 2029).
15. For further information concerning the exchange of hybrid debentures by CTY in return for the issue of a new series of hybrid debentures and cash payment, see Note 3A10 to the financial statements.
    1. Dividend Distribution Policy

As of January 2023 until the date of the report, the company has not distributed a dividend to its shareholders. On August 14, 2024, the Company's board of directors decided to return to the company's dividend distribution policy, which was adopted by the board of directors in 1998, according to which the company used to distribute dividends to its shareholders on a regular basis every quarter. Accordingly, the company's board of directors decided to distribute a dividend for the third quarter of 2024 in the amount of 0.10 NIS per share (a total of NIS 18.2 million), and this after examining the company's financial situation, including its projected cash flow, and in accordance with the progress of the property disposal plan announced by the company on October 25, 2022, as updated from time to time, as well as other considerations, and in accordance with the distribution tests set forth in the Companies Law, 1999. The Company's board of directors will return and review the scope of the dividend distribution every quarter, in accordance with the aforesaid considerations.

* 1. Financial Position

Current assets

Current assets, as at June 30, 2024, amounted to NIS 4.0 billion, compared with NIS 4.3 billion at December 31, 2023. The decrease in current assets is mainly due to the disposal of investment real estate held for sale that was offset by an increase in cash and cash equivalents.

Equity accounted investments

Equity-accounted investments amounted to NIS 1.0 billion as at June 30, 2024, compared to NIS 1.1 billion as at December 31, 2023. Equity-accounted investments is primarily comprised of the balance of investments in real estate held-for-sale through joint ventures as recorded in the books of Gazit Horizons and Gazit Canada. The decrease in equity accounted investments is primarily due to the acquisition of the partner’s share in the Kista Galleria property which was under joint control, for further information see Note 3B3 to the financial statements.

Non-current financial derivatives

The balance of financial derivatives arises mainly from cross-currency swap transactions, performed as part of the Group’s policy to maintain as close a correlation as possible between the currency in which properties are acquired and the currency in which the liabilities to finance the acquisition of those properties are incurred (on a proportionate consolidation basis), and are presented at fair value (see also section 4 below). The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements signed with certain banks and that establish ongoing accounting mechanisms between the Company and the bank through which the swap transaction with regard to the fair value of such transactions are carried out. As at June 30, 2024, this balance amounted to NIS 185 million compared to NIS 290 million at December 31, 2023.

Investment property and investment property under development

Investment property and investment property under development (including properties held for sale, presented in current assets) as of June 30, 2024, amounted to NIS 34.8 billion, similar to the balance as at December 31, 2023.

The changes in the balances of the various items in the reporting period are mainly due to the disposal of investment real estate and the depreciation of the Group's operating currencies against the NIS, which was offset by the first time consolidation of the Kista Galleria investment real estate due to the acquisition of the partner's share and the increase in the value of investment properties recognized in the reporting period.

Intangible assets, net

Net intangible assets amounted to NIS 431 million as at June 30, 2024, compared to NIS 447 million at December 31, 2023. The intangible assets is the goodwill attributable to the assets in Norway that are held by CTY.

Current liabilities

Current liabilities, as at June 30, 2024, amounted to NIS 4.2 billion, compared with NIS 6.9 billion at December 31, 2023. The balance consists mainly of short term credit from banks and others and current maturities with regard to long term liabilities in the amount of NIS 2.8 billion compared to NIS 4.2 billion as at December 31, 2023. The decrease in current liabilities is mainly due to a decrease in liabilities attributable to held for sale properties, due to completion of disposal of properties and a decrease in current maturities of non-current liabilities due to the extension of credit lines and their classification as long term.

Non-current liabilities

Non-current liabilities as at June 30, 2024, amounted to NIS 22.9 billion, compared with NIS 20.7 billion as at December 31, 2023. The increase in non-current liabilities is mainly due to raising of debentures, classification of credit lines as long term due to extension of their term, and first time consolidation of the Kista Galleria loan following acquisition of partner’s share, the foregoing increase was offset by the buyback of debentures.

Equity attributable to equity holders of the Company

The share capital attributable to the Company's shareholders as at June 30, 2024, amounted to NIS 4,925 million, compared with NIS 4,837 million as at December 31, 2023. The increase is mainly due to profit attributable to the shareholders in the amount of NIS 186 million, which was offset by a decrease in the capital reserves item in the amount of NIS 154 million (mainly adjustments due to translation of the financial statements of foreign operations, the effect of issues by subsidiaries) and the acquisition of treasury shares in an amount of NIS 10 million.,

The equity per share attributable to the Company's shareholders as at June 30, 2024, amounted to NIS 26.6, compared with NIS 26.0 million as at December 31, 2023.

Non-controlling interests

Non-controlling interests as at June 30, 2024, amounted to NIS 6.8 billion, compared with NIS 6.5 billion at December 31, 2023. The balance mainly includes the share of the other CTY shareholder at a rate of 50.4% of CTY’s share capital, the share of the shareholders in operations in Brazil, and the share of partners in several properties in the USA. Furthermore, the balance also includes the balance of CTY and-G Europe hybrid debentures.

The increase in the non-controlling interests in the reporting period is mainly due to the issues carried out in the reporting period in CTY and Brazil in the amount of NIS 448 million, the share of the other shareholders in comprehensive income in an amount of NIS 221 million. The foregoing increase was offset by the buyback of G Europe hybrid debentures in the amount of NIS 203 million, payment of interest to holders of hybrid debentures in the amount of NIS 67 million, and the share of the other shareholders in the dividend distributed of NIS 64 million.

* 1. Operating results and analysis

1. Breakdown of operating results:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  |  | **Six months ended**  **June 30** | | **Three months ended**  **June 30** | | **Year ended December 31** | |  |  | **2024** | **2023** | **2024** | **2023** | **2023** | |  |  | **Unaudited** | | | | **Audited** | |  |  | **NIS million**  **(Other than earnings (loss) per share)** | | | | | | Rental and other income | | 1,253 | 1,189 | 632 | 585 | 2,438 | | Property operating and other expenses | | 397 | 361 | 194 | 167 | 771 | |  | |  |  |  |  |  | | Operating income, net | | 856 | 828 | 438 | 418 | 1,667 | |  | |  |  |  |  |  | | Appreciation (impairment) of investment property and investment property  under development, net | | 340 | 293 | 344 | 138 | (767) | | General and administrative expenses | | (168) | (166) | (71) | (78) | (349) | | Other income | | 185 | 5 | - | - | 5 | | Other expenses | | (124) | (680) | (3) | (158) | (686) | | Company's share in profits (losses) of  equity accounted investees, net | | 110 | 53 | 107 | 99 | (2) | |  | |  |  |  |  |  | | Operating profit (loss) | | 1,199 | 333 | 815 | 419 | (132) | |  | |  |  |  |  |  | | Financing expenses | | (663) | (736) | (370) | (395) | (1,340) | | Financing income | | 90 | 140 | 51 | 147 | 272 | |  | |  |  |  |  |  | | Income (loss) before taxes on income | | 626 | (263) | 496 | 171 | (1,200) | | Taxes on income | | 122 | 37 | 78 | 73 | 120 | | Net profit (loss) | | 504 | (300) | 418 | 98 | (1,320) | |  |  |  |  |  |  |  | | Attributable to: | |  |  |  |  |  | | Equity holders of the Company | | 252 | (512) | 329 | (3) | (1,203) | | Non-controlling interests | | 252 | 212 | 89 | 101 | (117) | |  | | 504 | (300) | 418 | 98 | (1,320) | |  |  |  |  |  |  |  | | Net earnings (loss) per share attributable to equity holders of the Company (NIS) | |  |  |  |  |  | | Total basic net earnings (loss) | | 1.36 | (2.93) | 1.77 | (0.01) | (6.79) | | Total diluted net earnings (loss) | | 1.22 | (2.94) | 1.54 | (0.01) | (6.79) | |

Presentation of statement of comprehensive income

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| |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | |  |  |  | **Six months ended**  **June 30** | | **Three months ended**  **June 30** | | **Year ended December 31** | |  |  |  | **2024** | **2023** | **2024** | **2023** | **2023** | |  |  |  | **Unaudited** | | | | **Audited** | |  |  |  | **NIS million** | | | | | | Net profit (loss) | | | 504 | (300) | 418 | 98 | (1,320) | |  |  |  |  |  |  |  |  | | Other comprehensive income (loss) (net of tax effect): | | |  |  |  |  |  | |  |  |  |  |  |  |  |  | | Amounts not subsequently reclassified to profit or loss | | |  |  |  |  |  | | Loss with regard to financial assets at fair value  through other comprehensive income | | | - | (33) | - | (33) | (51) | |  |  |  |  |  |  |  |  | | Amounts classified or reclassified to profit or loss | | |  |  |  |  |  | | Adjustments for conversion of financial statements of foreign operations | | | (149) | 992 | 92 | 415 | 1,048 | | Profit (loss) for cash flow hedges | | | 34 | 7 | 5 | 17 | (81) | |  | | |  |  |  |  |  | | Total other comprehensive income (loss) | | | (115) | 966 | 97 | 399 | 916 | |  |  |  |  |  |  |  |  | | Total comprehensive income (loss) | | | 389 | 666 | 515 | 497 | (404) | |  |  |  |  |  |  |  |  | | Attributable to: | | |  |  |  |  |  | | Shareholders of the Company (1) | | | 167 | 178 | 333 | 311 | (665) | | Non-controlling interests | | | 222 | 488 | 182 | 186 | 261 | |  |  |  | 389 | 666 | 515 | 497 | (404) | |

1. Analysis of operating results for Q2, 2024

Rental and other income

Rental income increased by 8.0% to NIS 632 million in the quarter compared with NIS 585 million in the corresponding quarter last year.

The increase is mainly due to an increase in revenue from similar properties. This increase was offset by the sale of properties in the last 12 months.

Property operating and other expenses

Rental property management and other expenses amounted to NIS 194 million in the quarter, representing 30.7% of total rental and other income, compared with NIS 167 million, representing 28.5% of total rental income in the corresponding quarter last year.

Net operating income (NOI)

NOI from rental property in the quarter increased by 4.8 % to NIS 438 million (69.3% of total rental revenue), compared with NIS 418 million (71.5% of rental revenue) in the corresponding quarter last year.

The increase in NOI is due to the reasons described above for rental income and others, where in the corresponding quarter last year included NOI from sold properties in an amount of NIS 27 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 application of this Standard, in the quarter the Company and its subsidiaries recognized in the quarter and increase in net fair value of its properties in an amount of NIS 344 million, that is mainly due to further operational and cash flow improvement in the Company's properties, compared with the increase in value of NIS 138 million in the corresponding quarter last year.

General and administrative expenses

General and administrative expenses amounted to NIS 71 million (11.2% of total income) in the quarter, compared with NIS 78 million (13.3% of total income) in the corresponding quarter last year.

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

In the quarter, this item amounted to gains of NIS 107 million (in the corresponding quarter of last year gains were recorded of NIS 99 million) and are primarily comprised of the Group’s shares in a net profits of G Europe, Gazit Horizons, and Gazit Canada (G Tripllle).

Other expenses

Other expenses in the quarter amount to a total of NIS 2 million compared to an amount of NIS 158 million in the corresponding quarter of last year and consists mainly of capital losses with respect to the sale of properties that were completed in the corresponding quarter last year.

Financing expenses

Financing expenses in the quarter amounted to NIS 370 million, compared with NIS 395 million in the corresponding quarter last year. The decrease in financing expenses in the quarter compared to the corresponding quarter las year is mainly due to expenses for exchange rate differential and revaluation of securities in the amount of NIS 1 million compared to NIS 19 million in the corresponding quarter last year.

The average interest on the Company’s expanded separate interest bearing liabilities as at the cutoff dates is 4.10% compared with 3.97% in the corresponding quarter last year.

Financing income

Financing expenses in the quarter amounted to NIS 51 million, compared with NIS 147 million in the corresponding quarter last year. Financing expenses in the quarter mainly include interest revenue of NIS 20 million (in the corresponding quarter last year an amount of NIS 24 million) and early redemption gains of interest bearing debt of NIS 17 million (NIS 76 million in the corresponding quarter last year). Furthermore, financing income in the quarter includes gains from revaluation of financial derivatives in the amount of NIS 14 million compared to NIS 45 million in the corresponding quarter last year.

Taxes on income (tax benefit)

Tax expenses in the quarter amounted to NIS 78 million, compared with tax expenses of NIS 73 million in the corresponding quarter last year. Tax expenses in the quarter include mainly deferred tax expenses of NIS 73 million which is mainly due to the net changes in temporary differences between the tax base for fair value of investment property, investment property under development, including due to the disposal of properties and changes in losses for tax purposes (net deferred tax expenses of NIS 55 million in the corresponding quarter last year). Current tax expenses in the amount of NIS 5 million were recorded in the quarter compared to current tax expenses of NIS 18 million in the corresponding quarter last year.

1. Analysis of operating results in the reporting period

Rental and other income

Income from rental buildings and others increased in the reporting period by 5.4% to NIS 1,253 million, compared with NIS 1,189 million in the corresponding quarter last year.

Excluding the change in the average exchange rates, rental and other income in the reporting period increased by 2.8% compared to the corresponding quarter last year. The increase is mainly due to an increase in revenue from similar properties. This increase was offset by the sale of properties that are not core properties in the last 12 months.

Property operating and other expenses

Rental property management and other expenses in the reporting period amounted to NIS 397 million, representing 31.7% of total rental and other income, compared with NIS 361 million, representing 30.4% of total rental income in the corresponding period last year.

Net operating income (NOI)

NOI from rental property in the reporting period increased by 3.4 % to NIS 856 million (68.3% of total rental revenue), compared with NIS 828 million (69.6% of rental revenue) in the corresponding period last year.

Excluding the changes in the average exchange rates, net operating income in the reporting period increased by 0.9% compared to the corresponding quarter last year. The increase in NOI is due to the reasons described above for income from rental buildings and others above, where in the corresponding quarter last year the income included NOI from sold properties in an amount of NIS 91 million, compared to NIS 6 million in the reporting period.

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 application of this Standard, the Group recognized in in the reporting period, gains due to an increase in the fair value of properties in a net amount of NIS 340 million, compared with an increase in values of NIS 293 million in the corresponding period last year.

General and administrative expenses

General and administrative expenses in the reporting period amounted to NIS 168 million (13.4% of total income), compared with NIS 166 million (14.0% of total income) in the corresponding period last year.

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

In the reporting period, this item amounted to gains of NIS 110 million (in the corresponding period of last year gains were recorded of NIS 53 million), which primarily comprised of the Group’s shares in a net profits of CTY, Gazit Horizons, G Europe, and Gazit Canada (G Tripllle).

Other income

Other income in the reporting period amounted to NIS 185 million compared with NIS 5 million for the corresponding period last year. Other income in the reporting period mainly includes capital gains from the acquisition of the partner’s share in Kista Galleria for an amount of NIS 184 million.

Other expenses

Other expenses in the reporting period amounted to NIS 124 million, which mainly includes capital losses from closing expenses for the sale of properties that were completed in the reporting period, compared to other expenses in the corresponding period last year of NIS 680 million that mainly included a loss of NIS 518 million due to the sale of the Group’s properties in Russia.

Financing expenses

Financing expenses in the reporting period amounted to NIS 663 million compared to NIS 736 million for the corresponding period last year. The decrease in financing expenses in the reporting period compared to the corresponding period last year is mainly due to a decrease in expenses for CPI linkage of interest bearing liabilities that amounted to NIS 191 million in the quarter compared to NIS 242 million in the corresponding period last year, loss due to revaluation of financial derivatives in the reporting period in an amount of NIS 6 million compared to financial derivatives revaluation loss of NIS 16 million in the corresponding period last year, and a loss from revaluation of marketable securities in an amount of NIS 13 million in the corresponding period last year.

Financing income

Financing income in the reporting period amounted to NIS 90 million compared with NIS 140 million for the corresponding period last year. Financing expenses in the reporting period mainly include interest income of NIS 51 million (in the corresponding quarter last year income of NIS 37 million) and financing income in the reporting period included early redemption gains of interest bearing debt in an amount of NIS 37 million, compared to NIS 99 million in the corresponding quarter last year.

Taxes on income (tax benefit)

Tax expenses in the reporting period amounted to NIS 122 million, compared with tax expenses of NIS 37 million in the corresponding quarter last year. Tax expenses in the reporting period include mainly deferred tax expenses of NIS 81 million which is mainly due to the net changes in temporary differences between the tax base for fair value of investment property, investment property under development, including due to the disposal of properties and changes in losses for tax purposes (net deferred tax expenses of NIS 4 million in the corresponding period last year). Current tax expenses in the amount of NIS 41 million were recorded in the reporting period compared to current tax expenses of NIS 37 million in the corresponding period last year. Furthermore, in the corresponding period last year tax expenses in the amount of NIS 4 million were also recognized with respect to prior years.

* 1. Liquidity and Sources of Finance

The Company and its subsidiaries have a policy of maintaining an adequate level of liquidity that enables taking advantage of business opportunities in its operating segments and flexibility in accessibility to sources of finance.

The sources of liquidity of the Company and its subsidiaries are cash generated from its income-producing property, raising of debentures, hybrid debentures, convertible debentures, equity, credit lines, and long-term loans (including loans backed by liens on properties) used mainly for acquisition, development and redevelopment of income-producing property, settlement of liabilities, investments in investees and other investments.

As at June 30, 2024, the Company and its subsidiaries have unutilized approved long-term credit facilities[[6]](#footnote-6) available for immediate withdrawal and liquid balances of NIS 3.2 billion (of which NIS 1.3 billion for the Company and its wholly-owned subsidiaries) which includes cash and short-term deposits of NIS 0.9 billion and have unutilized approved long term credit facilities available for immediate withdrawal in the amount of NIS 2.3 billion.

As at June 30, 2024, the Company and its subsidiaries also have unencumbered investment property and investment property under development, which is carried in the books at its fair value of NIS 13.6 billion (39.1% of the total investment property and investment property under development).

Of these, regarding the expanded separate information, the Company has properties that are not encumbered worth NIS 5.6 billion (NIS 4.1 billion in G Europe, NIS 0.9 billion in the US, NIS 0.4 billion in Brazil and NIS 0.2 billion in Israel).

For further information concerning the Property Disposal Plan for increasing liquidity, see section 1.3 above.

As at June 30, 2024, according to the consolidated and separate financial statements, the Company has negative working capital in an amount of NIS 0.1 billion and NIS 2.2 billion, respectively, and positive FFO based on its separate financial information. Moreover, the Company has (extended separate) positive FFO, see section 2.2 below. However, the Company has at its disposal, on a consolidated and expanded separate basis (including wholly-owned subsidiaries), approved long-term credit lines1 available for immediate withdrawal amounting to NIS 2.3 billion and NIS 0.6 billion. According to Group policy, the Group usually finances its activities through revolving credit lines and raises equity and long-term debt from time to time, in accordance with the market conditions. The Company’s Board of Directors examined the existence of negative working capital as mentioned and examined whether this was to indicate a liquidity problem in the company, by examining the company's projected cash flow and determined that, in light of the scope of the foregoing sources available to the Company and its subsidiaries, including the scope of unencumbered properties, as set out above, the ability to refinance debts secured by land, and the positive FFO, consolidated and extended separate, including other cash flows, its existence does not indicate that the Company or its subsidiaries have a liquidity problem and therefore, there is no need to include a forecasted cash flow.

3.9 Cash flows

FFO in the reporting period and in the quarter amounted to NIS 282 million and NIS 158 million, respectively, compared to NIS 339 million and NIS 104 million in the corresponding period last year.

In the reporting period the Company and its subsidiaries financed their operations mainly by the issue of shares of the subsidiaries for proceeds of NIS 327 million, through disposal of investment real estate for a net amount of NIS 320 million, and disposal of financial assets in an amount of NIS 15 million. These cash flows were mainly used to repay loans and lines of credit in a net amount of NIS 404 million, to repay debentures in a net amount of NIS 127 million, for payment of dividends by Group companies in the amount of NIS 64 million, and for payment of interest to holders of hybrid debentures in an amount of NIS 67 million.

In the quarter, the Company and its subsidiaries financed their operations mainly by obtaining loans and credit lines in a net amount of NIS 16 million. These cash flows were mainly used to repay debentures in a net amount of NIS 464 million, for payment of dividends by Group companies in the amount of NIS 31 million, and for payment of interest to holders of hybrid debentures in an amount of NIS 15 million.

* 1. Buyback plan

1. 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, with regard to all outstanding debenture series, which is valid until March 31, 2025. Acquisitions are to be made under the plan from time to time, at the discretion of the Company’s management. This plan replaces the Company's earlier plan. Until the publication date of the report, the Company bought back debentures in the amount of NIS 136 million par value under this plan.
2. On May 27, 2024, the Company’s Board of Directors resolved to adopt a new plan for the buy-back of the Company shares in an amount of up to NIS 100 million par value, valid until May 31, 2025. Acquisitions are to be made under the plan from time to time, at the discretion of the Company’s management, subject to compliance with the distribution tests. As at date of publication of the Report, the Company has bought back 3.9 million shares under this plan at a cost of NIS 41 million.
3. Report concerning exposure to and management of market risks
   1. The individuals responsible for the matter of reporting and market risk management in the Company are the CEO and CFO of the Company. The Group operates in a large number of countries, therefore it is exposed to currency risks resulting from the exposure to the fluctuations of exchange rates in different currencies, mainly to the Euro, USD and BRL. Since March 28, 2024, date of approval of the Company’s annual report for 2023, there have been no material changes in market risks and means of their management, other than as set out in section 4.4.
   2. In the period from January 1, 2024 through to the date of approval of the financial statements, the individuals responsible for reporting and managing the Company’s market risks have held and continue to hold regular discussions concerning exposure to market risks, including changes in exchange rates and interest rates. In addition, during the foregoing period, the Company’s Board of Directors discussed these risks and the Company’s policy regarding them at meetings in which, among other things, the financial statements as at December 31, 2023, March 31, 2024, and June 30, 2024, were approved.
   3. Changes in foreign currency exchange rates – as of January 1, 2024 through June 30, 2024, the NIS devalued against the USD, EUR and CAD by 3.6%, 0.2% and 0.1%, respectively, and appreciated against the BRL by 9.3%. With regard to the effect of exchange rate changes on the Company’s equity as at June 30, 2024, see Appendix A of the Directors' Report.

Moreover, some of the Company’s liabilities are linked to CPI changes in Israel (mainly for its operations in Israel). As of January 1, 2024 through June 30, 2024, the CPI (known) rose by 1.9%.

* 1. The Company usually maintains a high correlation between its property mix in the different functional currencies and the equity exposure to those currencies, by engaging in hedge transactions from time to time to manage the currency exposure. Furthermore, the Company’s management regularly reviews the currency linkage balance and responds according to exchange rate developments. Nonetheless, in view of the recent relatively high volatility of the exchange rates with respect to the NIS, that significantly increase its liquidity risks, the Company has acted in recent years to temporarily eliminate its derivatives portfolio and as a result exposure of equity to the EUR, USD and BRL has increased.

For further information concerning the Company's currency exposure to its operating currencies (EUR, USD, CAD, NIS and BRL) as at June 30, 2024, see the table attached as Appendix A to the Directors’ Report.

1. Corporate Governance

Contributions

The Company considers itself committed to caring for and assisting the communities in which it operates, in accordance with the social investment policy approved by its management. In the reporting period, the Group made donations to a variety of projects in the fields of education, culture, welfare and health in the various countries in which the Company operates.

1. Most of the Group's social investment during the reporting period was directed to education in favor of the "To the South" project which the Company founded eight years ago. As part of this project, the Company supports the education systems in the outlying towns and villages in the Negev, including support for elementary and high schools, kindergartens and day care centers.
2. Community involvement – the Group supports a variety of social organizations in the fields of welfare, health and culture, through financial donations and volunteer work by its employees.

The Group’s total donations in the reporting period amounted to NIS 2.4 million.

1. Disclosure concerning the Company’s financial reporting

Subsequent events

1. For information concerning the Company's debt raising by way of the expansion of debentures (Series N) in an amount of NIS 200 million par value, see Note 5E to the financial statements.
2. For information concerning the Company's issue of debentures (Series T) secured by a second degree lien on a real estate property in Poland, in an amount of NIS 645 million par value, see Note 5D to the financial statements.
3. For further information regarding the buyback of the Company’s debentures for an amount of NIS 59.4 million par value, see Note 5A to the financial statements.
4. For further information regarding the buyback of the Company’s debentures for an amount of NIS 2.8 million par value, see Note 5B to the financial statements.
5. Details Concerning the Company’s Publicly-Held Liabilities
6. Collateral for debentures (Series O)

The Company’s commitments pursuant to the debentures (Series O) are secured by a first fixed charge on the rights relating to land, as set out in section 4.6 of the Company’s shelf offering memorandum published on October 22, 2020 (Ref. No.: 2020-01-106162), where the information contained therein is hereby presented by way of reference. The value of the foregoing pledged properties as at June 30, 2024 is NIS 630 million.

For further information concerning the terms of the debentures and with regard to the foregoing pledged properties, as required pursuant to the Securities Regulations relating to investment real estate, see Note 3C19 to the financial statements of the Company as at December 31, 2023, and the chapter on the update of the description of the Company’s business.

1. Collateral for debentures (Series P)

The Company's obligations pursuant to Debentures (Series P) were secured by a fixed first degree charge on two pledged share accounts (G Europe shares) and the rights of encumbered companies in the pledged share accounts, which as at reporting date hold 232 million G Europe shares. As G Europe has been delisted from trading, in the reporting period the Company acted together with the trustee for the debentures to convert G Europe shares to certificate shares (instead of book entry shares issued through Euroclear) and to register a new lien on G Europe shares as certificate shares by releasing encumbered surplus shares (pursuant to the provisions of the deed of trust) and as at reporting date there are 146 million G Europe shares pledged in favor of holders of Debentures (Series P).

For further information concerning the terms of Debentures (Series P) see Note 2C19 to the Company's financial statements as at December 31, 2023. For further information concerning G Europe, see G Europe’s financial statements as at June 30, 2024 as published in an immediate report issued by the Company on August 11, 2024 (Ref. No.: 2024-01-085567), where the information contained therein is hereby presented by way of reference.

1. Collateral for debentures (Series R)

The Company's obligations under Debentures (Series R) issued under an IPO in the reporting period, 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). The information therein is noted here by way of reference. G Alpha is the owner of six income producing properties in the United States, which at the present time are valued at USD 279.8 million. For further information see sections 4.5 and 4.6 and Appendix E to the Company’s shelf offering memorandum published on February 5, 2024 (Ref. No.: 2024-01-041019).

For further information concerning the terms of Debentures (Series R) see Note 20C19 to the Company's financial statements as at December 31, 2023. For further information regarding the foregoing pledged properties, as required pursuant to the regulations of the Israel Securities Authority regarding investment property operations, see chapter on the update of the description of the Company’s business.

1. Collateral for debentures (Series S)

The Company’s commitments under the Debentures (Series S) are secured by a fixed second degree charge regarding the real estate property, the Rishon LeZion complex, owned by the Company, as set out in section 4.5 of the Company’s shelf offering memorandum published on April 9, 2024 (Ref.No.: 2024-01-041019), the information therein is hereby presented by way of reference. The value of the foregoing pledged property as of June 30, 2024 is NIS 1,920 million.

For further information concerning the Company's rights to issue additional debentures of the series and to exchange, sell or release the properties pledged in favor of the holders of Debentures Series S subject to compliance with certain conditions, including compliance with weighted ratios, as defined in the deed of trust (Series S), which is lower than or equivalent to 0.85 or 0.8, see sections 5.6 through 5.9 of the deed of trust attached to Company’s shelf offering memorandum issued on April 9, 2024 (Ref. No.: 2024-01-041019), where the information therein is hereby presented by way of reference.

For further information regarding the foregoing pledged property, as required pursuant to the regulations of the Israel Securities Authority regarding investment property operations, see the chapter on the update of the description of the Company’s business.

1. Collateral for debentures (Series T)

The Company’s obligations under Debentures (Series T) are secured by a fixed first degree charge on the rights of a wholly owned (indirectly) subsidiary of the Company (in this section: the “Property Company”) with respect to its share in a real estate property in Warsaw, G Targowek, a lien on the current assets and other properties of the Property Company, a lien of the entire share capital of the Property Company, and a lien of the shareholders’ loan provided to it, as set out in section 4.5 of the shelf offering memorandum issued by the Company on July 14, 2024 (Ref. No.: 2024-01-073495), the information therein is hereby presented by way of reference. The value of the foregoing pledged property as of June 30, 2024 is EUR 230 million.

For further information concerning the Company's rights to issue additional debentures of the series and to exchange, sell or release the properties pledged in favor of the holders of Debentures Series S subject to compliance with certain conditions, including compliance with weighted ratios, as defined in the deed of trust (Series S), which is lower than or equivalent to 0.65 or 0.7, see sections 5.6 through 5.9 of the deed of trust attached to Company’s shelf offering memorandum issued on July 14, 2024 (Ref. No.: 2024-01-073495), where the information therein is hereby presented by way of reference.

For further information regarding the foregoing pledged property, as required pursuant to the regulations of the Israel Securities Authority regarding investment property operations, see the chapter on the update of the description of the Company’s business.

1. The deeds of trust under which the outstanding debentures were issued do not impose restrictions on the Company regarding the creation of additional charges on the Company’s assets or with regard to the Company’s authority to issue additional debentures, other than the undertaking to create a negative floating charge in favor of the holders of debentures (Series M, N, P, Q, R, S and T).
2. In March 2024, Midroog rating agency set the credit rating for the Company's Debentures (Series R) as A2.il, with negative outlook.
3. In February 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series R) as ilA, with negative outlook.
4. In March 2024, Standard & Poor’s rating agency ratified the BBB- rating of CTY’s debentures, and revised the outlook to negative.
5. In March 2024, Moody’s rating agency downgraded the rating for G Europe’s debenture series from Ba2 to B1, with stable outlook.
6. On April 30, 2024, the S&P Maalot rating agency set the credit rating of Debentures (Series P) of the Company as ilA-, with negative outlook.
7. On April 30, 2024, Midroog rating agency set the credit rating of Debentures (Series P) of the Company as A3.il, with a negative outlook.
8. On June 30, 2024, the S&P Maalot rating agency set the credit rating of the Company as ilA-, the rating for the Company's Debentures (Series K, L, M, N, P, Q, and S) as ilA-, and the rating for Debentures (Series O and R), secured by a lien, as ilA, and revised the outlook from negative to stable. S&P Maalot rating agency also set the credit rating of the Company’s Debentures (Series T) as ilA, with stable outlook.
9. On July 1, 2024, the S&P Maalot rating agency ratified the credit rating of the Company as A3.il, the credit rating for the Company's Debentures (Series K, L, M, N, P, Q, and S) as A3.il, and the rating for Debentures (Series O and R), secured by a lien, as A2.il, and revised the outlook from negative to stable. S&P Maalot rating agency also set the credit rating of the Company’s Debentures (Series T) as A2.il with stable outlook.
10. On July 11, 2024, Midroog rating agency set the credit rating for Debentures (Series N) of the Company as A3.il, with a stable outlook.
11. On July 11, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series N) as ilA-, with stable outlook.
12. Below is a breakdown of the principal financial covenants of Debentures (Series K, L, M, N, O, P, Q, R, S and T) of the Company:

| Financial ratio | Financial covenants | At June 30, 2024 |
| --- | --- | --- |
| Minimum equity (excluding non-controlling interests) (USD million) | K - higher than 500 for 4 consecutive quarters  L - higher than 650 for 4 consecutive quarters  M, R - higher than 800 for 3 consecutive quarters  N, O, P, Q, S, T - higher than 850 for 3 consecutive quarters | 1,310 |
| Minimum equity (excluding non-controlling interests) for one quarter (USD million) | M, N, O - higher than 400  P, Q, R, S, T - higher than 450 | 1,310 |
| Net interest bearing debt to total consolidated assets ratio  In combination with  Minimum rating for debentures | K and L - lower than 80% for 4 consecutive quarters  M - lower than 75% for 3 consecutive quarters | 61.9% 1 |
| K, L and M – 'ilBaa3'/'ilBBB-' | 'ilA3'/'ilA-' |
| Net interest bearing debt to total consolidated assets ratio | N, O, P, Q, R, S, T - lower than 75% for 3 consecutive quarters | 61.4% |
| Minimum rating for debentures | N, O, P, Q, R, S, T - 'ilBaa3'/'ilBBB-' | 'ilA3'/'ilA-' |
|  |  |  |

1 In the calculation of the net interest bearing debt to total assets ratio, the net interest bearing debt includes the accrued interest as presented in the financial statements.

As at June 30, 2024 and shortly prior to date of approval of the financial statements, the Company was in compliance with the covenants for its debentures.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| August 14, 2024 |  |  |  |  |
| 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 |

Appendix A to the Directors’ Report

Additional Information regarding Currency Exposure

Below is information 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 and forward transactions were transacted: (the “Derivative Transactions”), and with respect to the remaining scope of exposure after execution of the Derivative Transactions, as known to the Company, as at June 30, 2024. 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** | **USD** | **EUR 3** | **CAD** | **BRL** | **Total in NIS** | | Assets in original currency | | 4,911 | 789 | 4,074 | 107 | 3,808 | - | | Assets in NIS | | 4,911 | 2,967 | 16,378 | 293 | 2,575 | 27,124 | | **% of total assets** | | **19** | **11** | **60** | **1** | **9** | **100** | | Liabilities in original currency | | 10,952 | 266 | 2,396 | 75 | 774 | - | | Cross-currency swap transactions in original currency | | (132) | 25 | 107 | - | - | - | | Liabilities in original currency | | 11,084 | 241 | 2,289 | 75 | 773 | - | | Liabilities in NIS adjusted for swaps | | 11,084 | 906 | 9,202 | 206 | 523 | 21,921 | | **% of total liabilities** | | **51** | **4** | **42** | **1** | **2** | **100** | | Total equity in original currency | | (6,173) | 548 | 1,785 | 32 | 3,035 | - | | Total financial equity in NIS 4 | | (6,173) | 2,061 | 7,176 | 87 | 2,052 | 5,203 | | **% of total equity** | | **(119)** | **40** | **138** | **2** | **39** | **100** | |  |  |  |  |  |  |  |  | |

1. According to currency exchange rates as of June 30, 2024.
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 investees at the stated date.
3. The exposure to the EUR also includes the Group's exposure for its operations in Sweden whose currency is the Swedish krona (SEK), the operations in Norway whose currency is the Norwegian crown (NOK) and for the residential rental operations in Poland whose currency is the zloty (PLN). Furthermore, the data regarding CTY is based on CTY’s EPRA NRV per share.
4. Equity attributable to the Company's shareholders net of deferred taxes for revaluation of investment real estate as known at June 30, 2024, hybrid debentures of G Europe and non-controlling interests as set out in section 2.1, are presented under footnote 4 below.

**UPDATE TO THE DESCRIPTION OF THE COMPANY’S BUSINESS FOR THE 2023 PERIODIC** **REPORT OF G-CITY LTD.**

Pursuant to Regulation 39A of the Securities Regulations (Periodic and Immediate Reports) 2015, below is information regarding material changes or renewals that occurred in the Company’s business operations since publication of the Company’s Period Report for 2023 (the “Periodic Report”), in any matter required to be described in the Periodic Report.

Update of section 1 - Company Operations and Description of the Development of its Business

1. On October 25, 2022, the Company published a plan for the disposal of some of the Group’s properties, which was revised from time to time (“Property Disposal Plan”). Under the Property Disposal Plan, the Company intends to dispose of properties worth a total amount of NIS 7.1 billion in Europe, Brazil, the United States and Israel, and update of the status of the Property Disposal Plan and financing of properties, as set out below.

As of the date of publication of the Property Disposal Plan, the Company and its wholly-owned subsidiaries (below in this section the “Group”) disposed of properties worth a total amount of NIS 4.0 billion.

Below is a breakdown of the status of the Properties Disposal Plan (NIS million)1:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Completed** | **In advanced negotiations** | **Being marketed** | **Total** | |  | **NIS million** | | | | | G Europe | 2,816 | 1,099 | 1,307 | 5,222 | | G Israel | 154 | - | 145 | 299 | | Gazit Horizons | 567 | - | 162 | 729 | | Gazit Brasil | 498 | 316 | 34 | 848 | | **Total** | **4,035** | **1,415** | **1,648** | **7,098** | |

1. Furthermore, the partial public tender offer of Gazit Malls was completed for an amount of BRL 301 million (NIS 226 million).
2. In addition, the Company and its wholly-owned subsidiary intend to act to obtain financing, to be secured by several debt-free properties (mainly in Europe), for a cumulative amount of EUR 118 million.

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

Update of section 2 - Investments in the Company’s capital and transactions in its shares in the last two years

1. As of January 1, 2024 through to shortly prior to the date of publication of this report, the Company issued 9,619 par value shares to an officer of the Company as a result of the vesting of the convertible securities allotted to him as part of the terms and conditions of his employment.
2. For further information regarding the buyback of 3.9 million shares of the Company under its buyback plan, for proceeds of NIS 41 million, see Notes 3 and 5B to the financial statements.

Update of section 3 - Distribution of dividend in the past two years

On August 14, 2024, the Company's Board of Directors decided to return to the company's dividend distribution policy, which was adopted by the board of directors in 1998, according to which the company used to distribute dividends to its shareholders on a regular basis every quarter. Accordingly, the Company's Board of Directors decided to distribute a dividend for the third quarter of 2024 in the amount of 0.10 NIS per share (a total of NIS 18.2 million), and this after reviewing the Company’s dividend financial situation, including based on progress in the execution of the Property Disposal Plan announced by the Company on October 25, 2022 and as updated on from time to time, as well as additional considerations, subject to the distribution tests set out in the Companies Law, 1999. The company's board of directors will return and review the scope of the aforementioned dividend distribution every quarter, in accordance with the aforementioned considerations.

Update of section 5 - Financial environment and the effects of external factors on the Company's operations

1. **Inflation rate, interest rate and currency exchange rate volatility**[[7]](#footnote-7)- On July 24 2024, the Bank of Israel research division published a new forecast for the next two years, in which it estimates that inflation will rise above the government's target range, which is 1%-3%. The division explains the main factors that will affect inflation and increases in indirect taxes, such as VAT and fuel tax, which will cause an increase in consumption prices, and restrictions on the supply of labor, which will cause an increase in wages and a lack of competitiveness in the labor market, following the war. According to the forecast, inflation will be 3.0% in 2024 and -2.8% in 2025. The division assumes the basic interest rate of the Bank of Israel will remain stable at 4.25% in the second quarter of 2025 but notes an increase in the interest rate may be required to stabilize inflation following the increase in the economy's risk premium, which reflects the uncertainty and risks in the economic environment.

In the reporting period the foreign exchange market was volatile due to various developments in the war and in the geopolitical environment. The NIS weakened against the USD by 3.6% and maintained a similar level against the EUR. The stock market in Israel continues to underperform and increase was recorded on the return on government bonds.

The Bank of Israel research division estimates that the GDP will grow by 1.5% in 2024 and by 4.2% in 2025.

The growth forecast has been updated downward mainly due to the revision of the assumption regarding the intensity and fighting duration and assumes the direct economic impact of the Iron Swords War will continue until the end of 2024 and will gradually decrease, and in 2025 the recovery of activity is expected to be more gradual. Also, the Bank of Israel estimates that the broad unemployment rate in the prime working ages will moderate only gradually and will average 4.0% and 3.8% in 2024 and 2025, respectively. However, the uncertainty regarding the developments in the war is a factor that may affect the forecast.

In February 2024, the international rating agency, Moodys announced that it was downgrading the rating for the State of Israel (from A1 to A2) with negative outlook (which it ratified in May 2024). In April 2024, the international rating agency, S&P Global Ratings announced that it was downgrading the rating for the State of Israel (from AA- to A+) with negative outlook. In August 2024, the international rating agency Fitch announced the downgrading of Israel's credit rating (from A+ to A) with a negative outlook.

1. **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.

Since the beginning of 2024 through to reporting date the War is ongoing, including on the Northern front and in Judea and Samaria, while dealing with threats from Iran and the Houthis as well. In addition, the War has led to igniting an unprecedented wave of antisemitism worldwide and, among other things, Turkey has imposed an embargo on exports to the State of Israel and there are concerns that other countries and/or business corporations (including international retail chains) will follow suit and impose restrictions on transactions with Israel.

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 during and subsequent to the reporting period, these have returned to the usual pre-war scope.

To date, the declaration of war is still in effect and there is uncertainty regarding the duration, nature and scope of the war. Therefore the company is unable to assess the impact of the war on its businesses, however it estimates that the continuation of the war at its current intensity 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.

For further information concerning macro-economic data in the primary countries in which the Group operates and regarding their impact on the Group, see section 3.3 to the board of directors report.

**The Company's estimates regarding the impact of macroeconomic events, including the effects of the War in Israel, inflation rates, changes in exchange rates and interest rates in the various territories, as well as the effects of any other specific crisis in the country and/or certain countries in which the Company operates, on its operations, revenues, profits and financial status constitute forward-looking information as defined in the Securities Law, 1968. These estimates are based on assumptions and estimates of the company and the group companies as of the date of this report, but they are uncertain, may not materialize or may materialize significantly differently to that expected, among other things due to them being affected by factors outside of the control of the company. The continuation of the state of war, its expansion to other regions of the country and the involvement of other countries, the imposition of sanctions against Israel, changes in the directives issued by the State and the Home Front Command, the pace of the recovery of the Israeli economy, as well as growth trends in Israel and globally, and other macro-economic changes that may result from the foregoing, including continuing rise in inflation and market interest rates, continuation or deterioration of the global economic crisis, could impact the company's operations and its financial results in a manner different to the estimates set out above.**

Update to section 6 - Acquisition, development and operation of shopping centers in Northern Europe

1. On May 16, 2024, CTY announced that it was exercising its option to extend the credit agreement that was due to be repaid in April 2026, by a further period of one year. The credit agreement was provided by a syndicate of banks for an amount of EUR 650 million. The credit agreement was made up of a revolving line of credit of EUR 250 million, the new repayment date of which is April 2027.

Furthermore, CTY extended the loan of SEK 2,060 million acquired with the acquisition of the joint holdings (50%) in Kista Galleria, for a period of 5 years. The new revised repayment date of this loan is May 2029.

1. In June 2024, CTY completed the proactive early redemption in full of Debentures (Series 2024) for an amount of EUR 97 million (NIS 390 million).
2. For further information concerning the exchange of NIS 266 million par value hybrid debentures in return for a new series of hybrid debentures and additional cash payment that CTY completed in June 2024, see Note 3A10 to the financial statements.

Update to section 19 - Financing

1. For information concerning the Company's debt raising by way of the expansion of debentures (Series P) in an amount of NIS 350 million par value, see Note 3A8 to the financial statements.
2. For information concerning the Company's debt raising by way of the issue of debentures (Series S) secured by a second degree lien on a real estate property in Israel, in an amount of NIS 495 million par value, see Note 3A7 to the financial statements.
3. For information concerning the Company's debt raising by way of the issue of debentures secured by, among other things, a mortgage on a wholly owned (indirectly) income generating property of the Company in Poland (Series T), in an amount of NIS 645 million par value, see Note 5D to the financial statements.
4. In July 2024, the Company issued, under a private placement, by means of expansion of a marketable series, NIS 200 million par value unsecured Debentures (Series N) for a gross amount of NIS 191 million and at effective interest of 6.03% (linked to the CPI).
5. On April 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series P) as 'ilA-', with negative outlook.
6. On April 30, 2024, Midroog rating agency set the credit rating for the Company’s Debentures (Series P) as A3.il, with negative outlook.
7. On June 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series K, L, M, O, Q, R and S) as ilA-, and revised the rating outlook from negative to stable.
8. On June 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series O, R) as ilA, and revised the rating outlook from negative to stable.
9. On June 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series P) as ilA, with stable outlook.
10. On July 1, 2024, the Midroog rating agency ratified the credit rating for the Company's Debentures (Series T) as A2.il with stable outlook.
11. On July 1, 2024, the Midroog rating agency set the credit rating for the Company’s Debentures (Series K, L, M, N, P, Q, and S) as A3.il, and revised the rating outlook from negative to stable.
12. On July 1, 2024, the Midroog rating agency set the credit rating for the Company’s Debentures (Series O, R) as A2.il, and revised the rating outlook from negative to stable.
13. On July 11, 2024, the Midroog rating agency ratified the credit rating for the Company's Debentures (Series N) as A3.il with stable outlook.
14. On July 11, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series N) as ilA**-**, with stable outlook.

Disclosure concerning very material assets pursuant to Chapter F of the disclosure directive regarding investment property operations.

| **G Savyon** |  | **Q2 2024** | **Q1 2024** | **Year 2023** |
| --- | --- | --- | --- | --- |
| Value of partially income generating property (NIS thousand) |  | 247,200 | 218,840 | 218,218 |
| Value of the lands reserves property (NIS thousand) |  | 16,100 | 15,700 | 15,700 |
| Total value of the property (NIS thousand) |  | 263,300 | 234,540 | 233,918 |
| NOI for the period (NIS thousands) |  | 3,128 | 2,443 | 5,202 |
| Revaluation (losses) profits for the period (EUR thousands) |  | 27,709 | - | 18,719 |
| Average occupancy rate in the period |  | 94.9% | 97.3% | 92.4% |
| Actual rate of return (%) |  | 5.1% | 4.5% | 6.3% 1 |
| Average rent per sq. m. (per month in NIS) |  | 159.2 | 155.9 | 154.5 |
| Average rent per sq.m. in contracts signed in the period (per month in NIS)2 |  | 111 | 129 | 151 |

1 In the fourth quarter of 2023, the property expansion construction was completed, the return on NOI and the value of the property before the expansion were calculated.

2 In Q2 2024, rental contracts that were signed were in the offices wing of the property.

| **G Rothschild (Company's share, 51%)** |  | **Q2 2024** | **Q1 2024** | **Year 2023** |
| --- | --- | --- | --- | --- |
| Value of partially income generating property (NIS thousand) |  | 118,913 | 116,838 | 116,797 |
| Value of the building rights in the property (NIS thousand) |  | 4,766 | 4,766 | 4,766 |
| Total value of the property (NIS thousand) |  | 123,679 | 121,604 | 121,563 |
| NOI for the period (NIS thousands) |  | 1,933 | 1,829 | 6,881 |
| Revaluation (losses) profits for the period (EUR thousands) |  | 2,076 | - | (646) |
| Average occupancy rate in the period |  | 96.4% | 96.2% | 96.4% |
| Actual rate of return (%) |  | 6.5% | 6.3% | 5.9% |
| Average rent per sq. m. (per month in NIS) |  | 105.2 | 102.5 | 101.5 |
| Average rent per sq.m. in contracts signed1 in the period (per month in NIS) |  | 327 | 45 | 86 |

1 In the previous quarter most rental contracts that were signed are in the offices wing of the property.

| **G Kochav Hatzafon** |  | **Q2 2024** | **Q1 2024** | **Year 2023** |
| --- | --- | --- | --- | --- |
| Total value of the property (NIS thousand) |  | 110,598 | 108,411 | 108,411 |
| NOI for the period (NIS thousands) |  | 1,349 | 1,566 | 5,474 |
| Revaluation (losses) profits for the period (EUR thousands) |  | 2,187 | - | 3,218 |
| Average occupancy rate in the period |  | 100% | 100% | 90.2% |
| Actual rate of return (%) |  | 4.9% | 5.8% | 5.0% |
| Average rent per sq. m. (per month in NIS) |  | 282.6 | 278.5 | 277.5 |
| Average rent per sq.m. in contracts signed in the period (per month in NIS) |  | - | - | 324 |

| **G Horev (Company's share, 50%)** |  | **Q2 2024** | **Q1 2024** | **Year 2023** |
| --- | --- | --- | --- | --- |
| Value of partially income generating property (NIS thousand) |  | 119,795 | 119,790 | 118,141 |
| Value of the lands reserves property (NIS thousand) |  | 12,750 | 12,750 | 12,750 |
| Total value of the property (NIS thousand) |  | 132,545 | 132,540 | 130,891 |
| NOI for the period (NIS thousands) |  | 2,145 | 1,958 | 7,084 |
| Revaluation (losses) profits for the period (EUR thousands) |  | - | - | (69) |
| Average occupancy rate in the period |  | 93.7% | 92.6% | 92.6% |
| Actual rate of return (%) |  | 7.2% | 6.6% | 6.0% |
| Average rent per sq. m. (per month in NIS) |  | 124.6 | 122.7 | 122.2 |
| Average rent per sq.m. in contracts signed in the period (per month in NIS) |  | 94 | - | 82 |

| **G City Rishon Le-Zion** |  | **Q2 2024** | **Q1 2024** | **Year 2023** |
| --- | --- | --- | --- | --- |
| Value of partially income generating property (NIS thousand) |  | 1,513,155 | 1,475,776 | 1,472,670 |
| Value of the lands reserves property (NIS thousand) |  | 406,708 | 392,485 | 375,330 |
| Total value of the property (NIS thousand) |  | 1,919,863 | 1,868,260 | 1,848,000 |
| NOI for the period (NIS thousands) 1 |  | 24,179 | 22,961 | 87,689 |
| Revaluation (losses) profits for the period (EUR thousands) |  | 25,892 | - | 60,574 |
| Average occupancy rate in the period |  | 98.5% | 98.5% | 98% |
| Actual rate of return (%) |  | 6.4% | 6.2% | 6.0% |
| Average rent per sq. m. (per month in NIS) |  | 104 | 104 | 100 |
| Average rent per sq.m. in contracts signed in the period (per month in NIS) |  | - | 76 | 124 |

1 Q1 2024 includes provision for municipal taxes for past years, in an amount of NIS 2 million.

| **Targowek** |  | **Q2 2024** | **Q1 2024** | **Year 2023** |
| --- | --- | --- | --- | --- |
| Total value of the property (EUR thousand) |  | 230,538  -- | 230,464 | 230,215 |
| NOI in the period (EUR thousands) 1 |  | 3,467 | 3,291 | 13,487 |
| Revaluation gains (losses) for the period (EUR thousands) |  | 129 | 125 | 1,664 |
| Average occupancy rate in the period |  | 96.84% | 98.58% | 98.45% |
| Actual rate of return (%) |  | 5.9% | 5.7% | 5.9% |
| Average rent per sq. m. (per month in EUR) |  | 32.9 | 32.9 | 30.2 |
| Average rent per sq.m. in contracts signed in the period (per month in EUR) |  | 42.8 | 35.5 | 37.7 |

**G CITY LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
  
  
As of June 30, 2024**

**Unaudited**

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

**Introduction**

We have reviewed the accompanying financial information of G City Ltd. and subsidiaries ("the Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a certain subsidiary, whose assets constitute approximately 46% of total consolidated assets as of June 30, 2024 and whose included in consolidation constitute approximately 51% of total consolidated revenues for the six and three months periods then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

**Scope of review**

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

**Conclusion**

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

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

|  |  |
| --- | --- |
| Tel-Aviv, Israel | KOST FORER GABBAY & KASIERER |
| August 14, 2024 | A Member of Ernst & Young Global |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  |  |  |  |  | |  | **June 30** | | |  | **December 31** | |  | **2024** |  | **2023** |  | **2023** | |  | **Unaudited** | | |  | **Audited** | |  | **NIS million** | | | | | | **Properties** |  |  |  |  |  | | Current assets |  |  |  |  |  | | Cash and cash equivalents | 845 |  | 695 |  | 638 | | Short-term investments and loans | 34 |  | 195 |  | 31 | | Financial assets | 12 |  | 102 |  | 26 | | Financial derivatives | 67 |  | 105 |  | 34 | | Trade receivables | 92 |  | 155 |  | 143 | | Other receivables | 456 |  | 484 |  | 423 | | Current tax assets | 3 |  | 4 |  | 4 | |  | 1,509 |  | 1,740 |  | 1,299 | | Assets held for sale | 2,540 |  | 1,001 |  | 2,977 | |  | 4,049 |  | 2,741 |  | 4,276 | | Non-current assets |  |  |  |  |  | | Equity accounted investments | 998 |  | 1,058 |  | 1,131 | | Other investments, loans and receivables | 621 |  | 655 |  | 592 | | Financial assets | 101 |  | 102 |  | 96 | | Financial derivatives | 185 |  | 275 |  | 290 | | Investment property | 29,469 |  | 31,602 |  | 29,083 | | Investment property under development | 2,770 |  | 2,972 |  | 2,759 | | Fixed assets, net | 120 |  | 158 |  | 133 | | Intangible assets, net | 431 |  | 438 |  | 447 | | Deferred taxes | 67 |  | 67 |  | 66 | |  | 34,762 |  | 37,327 |  | 34,597 | |  |  |  |  |  |  | |  | 38,811 |  | 40,068 |  | 38,873 | |  |  |  |  |  |  | | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | |

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| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  |  |  |  |  | |  | **June 30** | | |  | **December 31** | |  | **2024** |  | **2023** |  | **2023** | |  | **Unaudited** | | |  | **Audited** | |  | **NIS million** | | | | | | **Liabilities and Equity** |  |  |  |  |  | | Current liabilities |  |  |  |  |  | | Credit from banks and others | 288 |  | 65 |  | 185 | | Current maturities of non-current liabilities | 2,526 |  | 2,333 |  | 4,053 | | Financial derivatives | 14 |  | 4 |  | 184 | | Trade payables and service providers | 69 |  | 112 |  | 138 | | Other payables | 590 |  | 633 |  | 539 | | Current tax liabilities | 8 |  | 42 |  | 105 | |  | 3,495 |  | 3,189 |  | 5,204 | | Liabilities attributed to assets held for sale | 683 |  | 470 |  | 1,652 | |  | 4,178 |  | 3,659 |  | 6,856 | | Non-current liabilities |  |  |  |  |  | | Debentures and convertible debentures | 14,004 |  | 14,816 |  | 13,150 | | Interest-bearing loans from banks and others | 6,866 |  | 6,808 |  | 5,559 | | Financial derivatives | 238 |  | 232 |  | 319 | | Other liabilities | 356 |  | 408 |  | 339 | | Deferred taxes | 1,415 |  | 1,531 |  | 1,320 | |  | 22,879 |  | 23,795 |  | 20,687 | |  |  |  |  |  |  | | Equity attributable to equity holders of the Company |  |  |  |  |  | | Share capital | 239 |  | 231 |  | 239 | | Share premium | 4,782 |  | 4,671 |  | 4,754 | | Retained earnings | 2,682 |  | 3,121 |  | 2,430 | | Adjustments due to translation of financial statements of foreign operations | (4,071) |  | (3,984) |  | (3,998) | | Other reserves | 1,304 |  | 1,358 |  | 1,413 | | Treasury shares | (11) |  | (1) |  | (1) | |  | 4,925 |  | 5,396 |  | 4,837 | | Non-controlling interests | 6,829 |  | 7,218 |  | 6,493 | | Total equity | 11,754 |  | 12,614 |  | 11,330 | |  |  |  |  |  |  | |  | 38,811 |  | 40,068 |  | 38,873 | |  |  |  |  |  |  | | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | |

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| --- | --- | --- | --- | --- | --- | --- |
| August 14, 2024 |  |  |  |  |  |  |
| Date of approval of the financial statements |  | Ehud Arnon  Chairman of the Board of Directors |  | Chaim Katzman  CEO and Vice Chairman of the Board of Directors |  | Gil Kotler  CFO |

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| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  |  | **Unaudited** | | | | | | |  | **Audited** | |  |  | **NIS million**  **(Other than earnings (loss) per share)** | | | | | | | | | | Rental and other income | | 1,253 |  | 1,189 |  | 632 |  | 585 |  | 2,438 | | Property operating and other expenses | | 397 |  | 361 |  | 194 |  | 167 |  | 771 | |  | |  |  |  |  |  |  |  |  |  | | Operating income, net | | 856 |  | 828 |  | 438 |  | 418 |  | 1,667 | |  | |  |  |  |  |  |  |  |  |  | | Appreciation (impairment) of investment property and investment property  under development, net | | 340 |  | 293 |  | 344 |  | 138 |  | (767) | | General and administrative expenses | | (168) |  | (166) |  | (71) |  | (78) |  | (349) | | Other income | | 185 |  | 5 |  | - |  | - |  | 5 | | Other expenses | | (124) |  | (680) |  | (3) |  | (158) |  | (686) | | Company's share in profits (losses) of  equity accounted investees, net | | 110 |  | 53 |  | 107 |  | 99 |  | (2) | |  | |  |  |  |  |  |  |  |  |  | | Operating profit (loss) | | 1,199 |  | 333 |  | 815 |  | 419 |  | (132) | |  | |  |  |  |  |  |  |  |  |  | | Financing expenses | | (663) |  | (736) |  | (370) |  | (395) |  | (1,340) | | Financing income | | 90 |  | 140 |  | 51 |  | 147 |  | 272 | |  | |  |  |  |  |  |  |  |  |  | | Income (loss) before taxes on income | | 626 |  | (263) |  | 496 |  | 171 |  | (1,200) | | Taxes on income | | 122 |  | 37 |  | 78 |  | 73 |  | 120 | | Net profit (loss) | | 504 |  | (300) |  | 418 |  | 98 |  | (1,320) | |  |  |  |  |  |  |  |  |  |  |  | | Attributable to: | |  |  |  |  |  |  |  |  |  | | Equity holders of the Company | | 252 |  | (512) |  | 329 |  | (3) |  | (1,203) | | Non-controlling interests | | 252 |  | 212 |  | 89 |  | 101 |  | (117) | |  | | 504 |  | (300) |  | 418 |  | 98 |  | (1,320) | |  |  |  |  |  |  |  |  |  |  |  | | Net earnings (loss) per share attributable to equity holders of the Company (NIS) | |  |  |  |  |  |  |  |  |  | | Total basic net earnings (loss) | | 1.36 |  | (2.93) |  | 1.77 |  | (0.01) |  | (6.79) | | Total diluted net earnings (loss) | | 1.22 |  | (2.94) |  | 1.54 |  | (0.01) |  | (6.79) | |  |  |  |  |  |  |  |  |  |  |  | | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | | | | | | |

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| |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  |  |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  |  |  | **Unaudited** | | | | | | |  | **Audited** | |  |  |  | **NIS million** | | | | | | | | | | Net profit (loss) | | | 504 |  | (300) |  | 418 |  | 98 |  | (1,320) | |  |  |  |  |  |  |  |  |  |  |  |  | | Other comprehensive income (loss) (net of tax effect): | | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  | | Amounts not subsequently reclassified to profit or loss | | | |  |  |  |  |  |  |  |  | | Loss with regard to financial assets at fair value  through other comprehensive income | | | - |  | (33) |  | - |  | (33) |  | (51) | |  |  |  |  |  |  |  |  |  |  |  |  | | Amounts classified or reclassified to profit or loss | | |  |  |  |  |  |  |  |  |  | | Adjustments for conversion of financial statements of foreign operations | | | (149) |  | 992 |  | 92 |  | 415 |  | 1,048 | | Profit (loss) for cash flow hedges | | | 34 |  | 7 |  | 5 |  | 17 |  | (81) | |  | | |  |  |  |  |  |  |  |  |  | | Total other comprehensive income (loss) | | | (115) |  | 966 |  | 97 |  | 399 |  | 916 | |  |  |  |  |  |  |  |  |  |  |  |  | | Total comprehensive income (loss) | | | 389 |  | 666 |  | 515 |  | 497 |  | (404) | |  |  |  |  |  |  |  |  |  |  |  |  | | Attributable to: | | |  |  |  |  |  |  |  |  |  | | Shareholders of the Company (1) | | | 167 |  | 178 |  | 333 |  | 311 |  | (665) | | Non-controlling interests | | | 222 |  | 488 |  | 182 |  | 186 |  | 261 | |  |  |  | 389 |  | 666 |  | 515 |  | 497 |  | (404) | |  |  |  |  |  |  |  |  |  |  |  |  | | (1) | Earnings (loss) per share attributable to shareholders of the Company: | | |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  | | Net profit (loss) | | | 252 |  | (512) |  | 329 |  | (3) |  | (1,203) | | Adjustments for conversion of financial statements of foreign operations | | | (116) |  | 718 |  | - |  | 330 |  | 667 | | Profit (loss) for cash flow hedges | | | 31 |  | 5 |  | 4 |  | 17 |  | (78) | | Loss with respect to financial assets at fair value through other comprehensive income | | | - |  | (33) |  | - |  | (33) |  | (51) | |  | | | 167 |  | 178 |  | 333 |  | 311 |  | (665) | |  |  |  |  |  |  |  |  |  |  |  |  | | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | | | | | | | |

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| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Equity attributable to equity holders of the Company** | | | | | | | | | | | | |  |  |  |  | |  |  | **Share capital** |  | **Share premium** |  | **Retained earnings** |  | **Adjustments due to translation of financial statements of foreign operations** |  | **Other reserves** |  | **Treasury shares** |  | **Total** |  | **Non-controlling interests** |  | **Total equity** | |  |  | **Unaudited** | | | | | | | | | | | | | | | | | |  |  | **NIS million** | | | | | | | | | | | | | | | | | | Balance as at April 1, 2024 | | 239 |  | 4,755 |  | 2,353 |  | (4,073) |  | 1,296 |  | (1) |  | 4,569 |  | 6,863 |  | 11,432 | | Net profit | | - |  | - |  | 329 |  | - |  | - |  | - |  | 329 |  | 89 |  | 418 | | Other comprehensive income | | - |  | - |  | - |  | - |  | 4 |  | - |  | 4 |  | 93 |  | 97 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Total comprehensive income | | - |  | - |  | 329 |  | - |  | 4 |  | - |  | 333 |  | 182 |  | 515 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Exercise and forfeiture of options for Company shares | | -\*) |  | 27 |  | - |  | - |  | (27) |  | - |  | -\*) |  | - |  | -\*) | | Acquisition of treasury shares | | - |  | - |  | - |  | - |  | - |  | (10) |  | (10) |  | - |  | (10) | | Cost of share-based payment | | - |  | - |  | - |  | - |  | 2 |  | - |  | 2 |  | - |  | 2 | | Buyback and exchange of hybrid debentures from non-controlling interests | | - |  | - |  | - |  | - |  | 34 |  | - |  | 34 |  | (173) |  | (139) | | Interest on hybrid debentures paid to non-controlling interests | | - |  | - |  | - |  | - |  | - |  | - |  | - |  | (15) |  | (15) | | Acquisition of non-controlling interests | | - |  | - |  | - |  | 2 |  | (5) |  | - |  | (3) |  | 3 |  | - | | Dividend to holders of non-controlling interests | | - |  | - |  | - |  | - |  | - |  | - |  | - |  | (31) |  | (31) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Balance as at June 30, 2024 | | 239 |  | 4,782 |  | 2,682 |  | (4,071) |  | 1,304 |  | (11) |  | 4,925 |  | 6,829 |  | 11,754 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | \*) | Represents an amount of less than NIS 1 million | | | | | | | | |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | | | | | | | | | |  |  |  |  | |

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| |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  | **Unaudited** | | |  | **Unaudited** | | |  | **Audited** | |  | **NIS million** | | | | | | | | | | Cash flows from operating activities |  |  |  |  |  |  |  |  |  | | Net profit (loss) | 504 |  | (300) |  | 418 |  | 98 |  | (1,320) | |  |  |  |  |  |  |  |  |  |  | | Adjustments required for presentation of cash flows from current operations |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  | | Adjustments to profit or loss |  |  |  |  |  |  |  |  |  | | Financing expenses, net | 573 |  | 596 |  | 319 |  | 248 |  | 1,068 | | Company’s share in losses (earnings) of equity-accounted investees, net | (110) |  | (53) |  | (107) |  | (99) |  | 2 | | Impairment (appreciation) in investment property and investment property under development, net | (340) |  | (293) |  | (344) |  | (138) |  | 767 | | Depreciation and amortization | 12 |  | 14 |  | 6 |  | 8 |  | 29 | | Taxes on income | 122 |  | 37 |  | 78 |  | 73 |  | 120 | | Other expenses (income), net | (48) |  | 674 |  | 12 |  | 157 |  | 682 | | Cost of share-based payment | 3 |  | 6 |  | 2 |  | 3 |  | 5 | |  | 212 |  | 981 |  | (34) |  | 252 |  | 2,673 | | Changes in items of assets and liabilities: |  |  |  |  |  |  |  |  |  | | Decrease (increase) in trade receivables and other receivables | 124 |  | (59) |  | 185 |  | (7) |  | (45) | | Increase (decrease) in trade and other payables | (71) |  | 3 |  | (152) |  | (118) |  | 32 | |  | 53 |  | (56) |  | 33 |  | (125) |  | (13) | |  |  |  |  |  |  |  |  |  |  | | Net cash provided by operating activities before interest, dividend, and taxes | 769 |  | 625 |  | 417 |  | 225 |  | 1,340 | |  |  |  |  |  |  |  |  |  |  | | Cash paid and received during the period for: |  |  |  |  |  |  |  |  |  | | Interest paid | (416) |  | (317) |  | (256) |  | (171) |  | (767) | | Interest received | 57 |  | 39 |  | 28 |  | 18 |  | 83 | | Dividends received | 8 |  | 29 |  | 4 |  | 24 |  | 33 | | Taxes paid | (140) |  | (45) |  | (35) |  | - |  | (64) | | Taxes received | 4 |  | 8 |  | - |  | 8 |  | 25 | |  | (487) |  | (286) |  | (259) |  | (121) |  | (690) | |  |  |  |  |  |  |  |  |  |  | | Net cash from operating activities | 282 |  | 339 |  | 158 |  | 104 |  | 650 | |  |  |  |  |  |  |  |  |  |  | | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | | | | | |

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| |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  | **Unaudited** | | |  | **Unaudited** | | |  | **Audited** | |  | **NIS million** | | | | | | | | | | Cash flows from investment activities |  |  |  |  |  |  |  |  |  | | Investments and loans to investees | (9) |  | - |  | (4) |  | - |  | (39) | | Acquisition, construction, and development of investment property | (249) |  | (1,008) |  | (96) |  | (434) |  | (1,491) | | Investments in property, plant and equipment and other assets | (5) |  | (12) |  | (4) |  | - |  | (29) | | Proceeds from the sale of investment property net of tax paid | 569 |  | 956 |  | 94 |  | 617 |  | 1,386 | | Proceeds from the sale of fixed assets | - |  | - |  | - |  | - |  | 27 | | Grant of long-term loans | - |  | (123) |  | - |  | - |  | (123) | | Repayment of long-term loans | 6 |  | - |  | 6 |  | - |  | 116 | | Proceeds from the sale of financial assets and withdrawal of deposits, net of tax paid | 15 |  | 135 |  | - |  | 21 |  | 215 | | Net cash flows from (used in) investment activities | 327 |  | (52) |  | (4) |  | 204 |  | 62 | |  |  |  |  |  |  |  |  |  |  | | Cash flow from financing activities |  |  |  |  |  |  |  |  |  | | Issue of share capital and options (less issue costs) | - |  | 150 |  | - |  | - |  | 150 | | Exercise of warrants for Company shares | -\*) |  | -\*) |  | -\*) |  | -\*) |  | -\*) | | Acquisition of treasury shares | (10) |  | - |  | (10) |  | - |  | - | | Acquisition of non-controlling interests and IPO of subsidiary | 327 |  | - |  | - |  | - |  | - | | Dividend paid to Company shareholders | - |  | (53) |  | - |  | - |  | (53) | | Dividend paid to holders of non-controlling interests | (64) |  | (78) |  | (31) |  | (40) |  | (164) | | Receipt of long-term loans | 650 |  | 1,351 |  | 650 |  | 982 |  | 1,812 | | Repayment of long-term loans | (361) |  | (61) |  | (349) |  | (54) |  | (211) | | Receipt (repayment) of long-term credit from banks, net | (774) |  | (478) |  | (366) |  | 492 |  | 469 | | Receipt (repayment) of short-term credit from banks, net | 81 |  | (128) |  | 81 |  | (315) |  | (848) | | Early payment and redemption of debentures | (2,394) |  | (1,450) |  | (1,154) |  | (1,239) |  | (2,767) | | Issue of debentures and convertible debentures | 2,405 |  | - |  | 813 |  | - |  | 611 | | Buyback of hybrid debentures from non-controlling interests | (138) |  | (115) |  | (123) |  | (12) |  | (200) | | Interest on hybrid debentures paid to non-controlling interests | (67) |  | (60) |  | (15) |  | - |  | (166) | | Net cash used for financing activities | (345) |  | (922) |  | (504) |  | (186) |  | (1,367) | |  |  |  |  |  |  |  |  |  |  | | Exchange differences for cash and cash equivalents | (57) |  | (44) |  | (29) |  | (40) |  | (81) | |  |  |  |  |  |  |  |  |  |  | | Increase (decrease) in cash and cash equivalents | 207 |  | (679) |  | (379) |  | 82 |  | (736) | | Cash and cash equivalents at the beginning of the period | 638 |  | 1,374 |  | 1,224 |  | 613 |  | 1,374 | | Cash and cash equivalents at the end of the period | 845 |  | 695 |  | 845 |  | 695 |  | 638 | |  |  |  |  |  |  |  |  |  |  | | \*) Represents an amount of less than NIS 1 million. | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  | | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | | | | | |

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| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  |  | **Unaudited** | | |  | **Unaudited** | | |  | **Audited** | |  |  | **NIS million** | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  | | (A) | Significant non-cash activities |  |  |  |  |  |  |  |  |  | |  | Sale of investment property against receivables | 32 |  | 245 |  | 32 |  | 245 |  | 245 | | (B) | Additional information |  |  |  |  |  |  |  |  |  | |  | The accompanying notes constitute an integral part of these consolidated interim financial statements. | | | | | | | | | | |

**Note 1 – General**

1. These financial statements have been prepared in condensed format as at June 30, 2024 and for the six months then ended (the “Reporting Period”) and for the three months then ended (jointly - the “Consolidated Interim Financial Statements”). The financial statements should be read in conjunction with the Company’s annual financial statements as at December 31, 2023 for the year then ended, and their accompanying notes, which were approved by the Company’s board of directors on March 28, 2024 (the “Annual Financial Statements”).
2. As at June 30, 2024, (the “Reporting Date”) the consolidated Company (the “Group”) had working capital deficit in the amount of NIS 0.1 billion. The Group has unused approved credit facilities in the amount of NIS 2.3 billion available for immediate withdrawal. The Company’s management believe that the foregoing sources, with the addition of the proceeds from the issue of debentures executed subsequent to the reporting date in an amount of NIS 0.8 billion, the cash flow projection and the scope of pledged assets and the ability to refinance debts secured by land, will allow each of the Group companies to meet their short term repayment liabilities.
3. State of the Company affairs and liquidity:

The Company has a long term policy to maintain an adequate level of liquidity to allow the Company to meet its liabilities, to exploit opportunities in its operating sectors, and to have flexible financing sources. This is achieved by issuing equity and assuming long-term financing, including through the issue of debentures, hybrid debentures, bank loans and mortgages, against investments in long term assets.

First, it should be noted that, the Company and its wholly-owned private subsidiaries have positive cash flows from ongoing operations. It should be noted that there is no obstacle to transferring funds from the wholly-owned subsidiaries by distribution of dividends or receipt of a loan, subject to restrictions set out in the terms and conditions of the debentures of the subsidiaries and distribution tests set out in the relevant law.

In addition, given the state of the capital and unsecured debt markets, to maintain its financial strength and to reduce dependence on the capital and debt markets, the Company has binding credit facilities (some of which are not utilized) in significant amounts with financial institutions, under which the Company and/or its wholly-owned subsidiaries are able to utilize credit for different periods, based on their needs. As at June 30, 2024, the Company and its wholly-owned subsidiaries have revolving credit facilities from several local and international banks and financial institutions, which are secured by properties, in a total amount of NIS 1.6 billion, of which NIS 1.0‏ billion have been utilized as at the said date. Shortly prior to the publication date of this Report, the balance of these credit facilities was NIS 1.6 billion, of which NIS 0.8 billion was used.

These credit facilities are with financial institutions with which the Company has long term relationships and they are renewed from time to time for periods of three to four years, and to date, their mature in 2024-2027. In the reporting period the Company extended most of its long-term lines of credit as well as another financier who has not yet extended the repayment date, approved the framework’s extension and working with the Company to enter into an amendment to the agreement and to complete the process in the coming period.

The credit facilities of the Company and its subsidiaries include financial covenants including, inter alia, minimal equity, leverage rate, utilized debt ration to collateral value and more as detailed in Note 20D to the annual financial statements, as at June 20, 2024, and immediately prior to the publication date of this report, the Company and its subsidiaries are in compliance with all these financial covenants.

**Note 1 – General (contd.)**

On October 25, 2022, the Company published a plan for the disposal of the Group's properties, which was revised from time to time, for an amount of NIS 7.1 billion (the “Property Disposal Plan”). Under the Property Disposal Plan, the Company intends to dispose of properties worth a total of NIS 7.1 billion in Europe, Brazil, USA and Israel. As at date of publication of this Report, the Company and its wholly owned subsidiaries sold properties to the value of NIS 4.0 billion, similar to their carrying amounts (other than the sale of the portfolio in Russia). In addition, as at reporting date, properties for a total value of NIS 1.4 billion are in advanced negotiation and additional properties worth a total of NIS 1.6 billion are up for sale. NIS 1.3 billion of the foregoing properties are presented under the item of properties held for sale. The scope of disposal of properties and the Group's rate of progress in such disposal, including the pace at which the properties have been put 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 the various countries in which the Group operates, and pursuant to the discretion of the Company’s management, while taking macro economic and Company specific considerations into account, and by balancing the Company's needs and maximization of the value of the properties.

In addition, the Company and its wholly-owned subsidiary intend to act to obtain financing, to be secured by several debt-free properties (mainly properties in Europe), for a cumulative amount of EUR 118 million.

Furthermore, in the reporting period, Gazit Malls, a subsidiary of the Company in Brazil, completed an IPO for an amount of BRL 301 million (NIS 226 million) by way of a tender offer of part of its holdings of the Company.

In addition, in the reporting period, the Company issued NIS 410 million par value Debentures (Series R) that are secured by the shares of a wholly owned subsidiary of the Company in the United States, and NIS 495 million par value Debentures (Series S), secured by a second degree lien on real estate properties in Israel. It also issued NIS 350 million par value Debentures (Series P) by way of expansion of the series that is not secured.

Moreover, CTY carried out several actions to strengthen its balance sheet which include the issue of shares for a total consideration of EUR 48 million (the Company participated in the issue for an amount of EUR 15 million), the issue of EUR 300 million par value debentures and announced a plan for the disposal of properties in an amount of EUR 350 million in 2024, as at reporting date, EUR 300 million were classified and held for sale. Furthermore, in the reporting period CTY dispose of a property in Norway for proceeds of EUR 31 million.

In view of the foregoing, the Company's management and Board of Directors believe that the Company will be able to meet all of its existing and expected liabilities when they fall due.

1. 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. Since the beginning of 2024 through to reporting date the War is ongoing, including on the Northern front and in Judea and Samaria, while dealing with threats from Iran and the Houthis as well. At the same time, the War has led to igniting an unprecedented wave of antisemitism worldwide and, among other things, Turkey has imposed an embargo on exports to the State of Israel and there are concerns that other countries and/or business corporations (including international retail chains) will follow suit and impose restrictions on transactions with Israel. Due to the War and its effects on the Israeli economy, in the first quarter of 2024 Moody’s rating agency downgraded the credit rating of the State of Israel from A1 to A2, and in the second quarter, S&P rating agency downgraded Israel’s credit rating from AA- to A+.

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 during and subsequent to the reporting period, these have returned to the usual pre-war scope.

**Note 1 – General (contd.)**

To date, the declaration of war is still in effect and there is uncertainty regarding the duration, nature and scope of the war. Therefore the company is unable to assess the impact of the war on its businesses, however it estimates that the continuation of the war at its current intensity 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.

1. Definitions in these financial statements:

|  |  |  |
| --- | --- | --- |
| Company | - | G City Ltd. (formerly Gazit-Globe Ltd.) |
| G Europe | - | G City Europe Limited (formerly Atrium European Real Estate Limited), a subsidiary |
| CTY | - | Citycon Oyj, a subsidiary. |

**Note 2 - Significant Accounting Policies**

1. Preparation format of the Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The main accounting policy and calculation methods applied in the preparation of these Consolidated Interim Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements, except for the following:

1. Initial application of amendments to existing accounting standards
2. Amendment to IAS 1 - Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1, regarding the criteria for 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. Namely, 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 the Subsequent Amendment were applied retrospectively as of annual period commencing January 1, 2024.

The Amendment has no material effect on the Company’s consolidated interim financial statements.

1. Amendments to IFRS 9, "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 applied for annual reporting periods beginning on January 1, 2024.

According to the transition provisions of the Amendments, the Company is not required to provide disclosures in interim periods during the first year of adoption, and therefore the above Amendments did not have a material impact on the Company's condensed interim consolidated financial statements. Moreover, the Amendments are not expected to have a material impact on the disclosures of supplier finance arrangements in the Company's annual consolidated financial statements.

**Note 2 - Significant Accounting Policies (contd.)**

1. Disclosure of new IFRS's in the period prior to their adoption
2. IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18, Presentation and Disclosure in Financial Statements (the “New Standard”) which replaces IAS 1, Presentation of Financial Statements (“IAS 1”).

The purpose of the New Standard is to improve the ability to compare and to reflect in the financial statements.

The New Standard includes an existing requirement in IAS 1 and new requirements for presentation in the statement of income, including presentation of amounts and sub-amounts required under the New Standard, and for disclosure regarding management defined performance measures and new requirements for the group and splitting of financial information.

The New Standard does not change the provisions for recognition and measurement of items in the financial statements. Nonetheless, as items in the statement of income will have to be classified as one of five categories (operating activities, investment activities, financing activities, income tax and discontinued operations), it may change the entity’s operating profit. Moreover, publication of the New Standard caused minor amendments to other accounting standards, including IAS 7, Statement of Cash Flows and IAS 34, Interim Financial Reporting.

The New Standard will be applied retrospectively for annual periods beginning on or after January 1, 2027. Early adoption is permitted, subject to disclosure.

The Company is reviewing the effect of the New Standard, including the effect of amendments to additional accounting standards resulting from the New Standard on the consolidated financial statements.

1. Amendments to IAS 9, " Financial Instruments ", and IFRS 7, "Financial Instruments: Disclosures":

In 30 May 2024, the International Accounting Standards Board (the IASB or the Board) issued Amendments to "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures", amendments to the Classification and Measurement of Financial Instruments.

According to the Subsequent Amendment:

\* Clarify that a financial liability is derecognised on the 'settlement date’ when the related obligation is discharged or cancelled or expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

\* Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Clarify the treatment of non-recourse assets and contractually linked instruments (CLI).

\* Require additional disclosures in IFRS7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income (FVTOCI).

The date of mandatory initial application is periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later. The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. An entity is required to disclose information about financial assets that change their measurement category due to the amendments.

**Note 3 – Material Events in the reporting period**

* + - 1. Debt raising and redemption in the Group

In February 2024 the Company issued to the public NIS 410 million par value Debentures (Series R) for net proceeds of NIS 404 million at coupon interest of 4.83% linked to the CPI (effective interest 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 280 million.

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.

The scope of the series issued was set at leverage to value (LTV) ratio of 55% (“LTV”), calculated according to the value of G Alpha’s pledged capital, as set out in the deed of trust of the debentures. The Company is required to comply with an LTV ratio of 55% in the event of an expansion of a series or sale of a pledged property, or LTV of 50% on other specific test dates set in the deed, including the date of removal/addition of pledged properties (including in the event of release of G Alpha properties by G Alpha), upon exchange of pledged properties, 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.

Downgrade in S&P Maalot’s credit rating below A-, or Midroog’s credit rating below A2 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 deed of trust. 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%). Nonetheless, 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).

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.

Moreover, 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 at 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.

**Note 3 – Material Events in the reporting period (contd.)**

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 at 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 at 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, calling for immediate repayment of another series marketable debentures of the Company or calling 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.

For condensed financial information regarding G Alpha, see Note 7.

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.

In the reporting period the Company bought back NIS 120.2 million par value Debentures (Series L, M, N, P), for consideration of NIS 116.8 million. Due to the buyback, the Company will recognize an early redemption gain in the amount of NIS 17 million. The buyback debentures were canceled and delisted.

In March 2024, CTY issued EUR 300 million par value debentures, which bear annual interest of 6.5% and are redeemable in March 2029.

In March 2024, CTY bought back, under a tender offer, EUR 213.2 million (NIS 848 million) par value debentures for EUR 213.7 million (NIS 850 million).

In the reporting date, the Group bought back EUR 101 million (NIS 406 million) par value debentures of G Europe for a consideration of EUR 95 million (NIS 382 million). Following the acquisition, the Group recognized an early redemption gain in the amount of EUR 4.9 million (NIS 20 million).

In the reporting date, the Group bought back EUR 33.5 million (NIS 134 million) par value hybrid debentures of G Europe for EUR 20 million (NIS 80 million), and following the acquisition the Group recognized a capital gain of EUR 13.5 million (NIS 54 million) which was attributed to capital reserves.

**Note 3 – Material Events in the reporting period (contd.)**

In April 2024 the Company issued to the public NIS 495.2 million par value Debentures (Series S), secured by a second degree lien on real estate, for net proceeds of NIS 489 million at coupon interest of 4.15% linked to the CPI (effective interest of 4.39%).

The principal and interest for debentures (Series S) are linked to the CPI and are subject to the mechanism described in section 5 overleaf of the deed of trust. Furthermore, the principal will be repaid in 15 semi-annual installments, as follows: 14 installments in amounts equivalent to 0.75% each of the principal, to be paid from 2024 through 2031 (commencing September 30, 2024 through March 31, 2031), and the final installment of 89.5% of the principal will be paid on September 30, 2031.

The scope of the series issued was set at weighted leverage ratio of 0.85 (“LTV”), calculated according to the value of the pledged property under a second degree lien, as set out in the deed of trust of the debentures. The Company is required to comply with LTV of 0.85 if the scope of the debenture series is lower than or equal to NIS 875,000,000 par value and LTV of 0.80 if the scope of the debenture series rises above NIS 875,000,000 par value on specific test dates as set out in the deed of trust, including the date of removal/addition of pledged properties, upon release of pledged plots from the lien, upon exchange of pledged properties, upon occurrence of a “disturbing event” (as defined in the deed of trust) with respect to the pledged company. Notwithstanding the foregoing, upon the sale of a pledged property the Company will be required to comply with LTV of 0.80, regardless of the scope of the debenture series at that time.

A downgrade of S&P Maalot’s credit rating to below ilA-, or Midroog’s credit rating to below A3 or a corresponding rating of another rating agency will result in an increase in the interest rate of up to 1% (downgrading of the rating to a rating equivalent to or lower than BB- of S&P Maalot, or a corresponding rating, will result in increasing the interest rate to 3%), in accordance with the terms and increments set out in the debenture. 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%.

Under the issue of Debentures (Series S), 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 850 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 in the last of the above quarters will not fall below BBB- by S&P Maalot and below Baa3 by Midroog.

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.

Furthermore, the provisions of the deed of trust of Debentures (Series S) contain other causes, which if realized, grants the debenture holders the right to call for immediate repayment of the debentures, including 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 (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, 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.

In May 2024, the Company issued to the public, by means of expansion of a marketable series, NIS 350.2 million par value Debentures (Series P) secured by a fixed lien on G Europe shares held by wholly-owned subsidiaries of the Company, for a net amount of NIS 332 million at effective interest of 5.7% (linked to the CPI). As G Europe has been delisted from trading, in the reporting period the Company acted together with the trustee for the debentures to convert G Europe shares to certificate shares (instead of book entry shares issued through Euroclear) and to register a new lien on G Europe shares as certificate shares by releasing encumbered surplus shares (pursuant to the provisions of the deed of trust) and as at reporting date there are 146 million G Europe shares pledged in favor of holders of Debentures (Series P).

**Note 3 – Material Events in the reporting period (contd.)**

In June 2024, CTY completed the proactive early redemption in full of Debentures (Series 2024) for an amount of EUR 97 million (NIS 390 million).

In June 2024, CTY completed the exchange of EUR 266 million par value hybrid debentures (Series 2024) for new hybrid debentures, the redemption date of which is after 5.25 years and which bear interest of 7.875% and cash return of EUR 12.6 million.

* + - 1. Other events
  1. In February 2024, Gazit Malls FII, a real estate investment fund controlled (indirectly) by the Company, (“Gazit Malls”) completed an IPO of its participating units on the Sao Paulo Stock Exchange in Brazil (“BOVESPA”) 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 Brasil purchased 223,000 shares through regular trading for BRL16 million (NIS 12 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 81.9% 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 known carrying value in the Company's books on the date of publication of the offer (which was BFL 86 per share), and that reflected 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.

Following the transaction the Company recognized a decrease in the equity attributed to the equity holders of NIS 82 million that was attributed to capital reserves.

* 1. In February 2024, CTY issued 11.9 million ordinary shares for total proceeds of EUR 48.2 million (EUR 4.05 per share). The Company purchased 3.7 million shares for total consideration of EUR 15 million. As a result of the issue, the Company's holdings in CTY decreased from 50.9% to 49.6% and the Company will recognize a decrease in the equity attributable to equity holders in the amount of NIS 135.7 million, which was attributed to capital reserves. The Company is continuing to consolidate CTY in its financial statements, pursuant to its effective control policy.
  2. On February 29, 2024, CTY completed the purchase of the remaining 50% in a joint venture in Sweden Consequently, CTY now owns 100% of the joint venture, which was consolidated in the company's reports. The consideration for the purchase was EUR 2.5 million in cash. The joint venture had a debt to third party in amount of SEK 2.4 billion which CTY assumed, and which included the partner’s share in an amount of SEK 1.2 billion (NIS 423 million). Following the transaction, CTY recognized a capital gain in the amount of EUR 46.2 million (NIS 180 million) which is presented under Other Income.
  3. In the reporting period, 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 shares. In August 2024, the court ruled in favor of G Europe and ordered amending it as the owner of the Subsidiary’s shares.
  4. During the reporting period, the Company bought back 1.1 million shares of the Company for NIS 10 million. The acquired shares are treasury shares.
  5. In February 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series R) as 'ilA', with negative outlook.

**Note 3 – Material Events in the reporting period (contd.)**

* 1. In February 2024, Midroog rating agency set the credit rating for the Company's Debentures (Series R) as A2.il, with negative outlook.
  2. In March 2024, Standard & Poor’s rating agency ratified the BBB- rating of CTY’s debentures, and revised the outlook to negative.
  3. In March 2024, Moody’s rating agency downgraded the rating for G Europe’s debenture series from Ba2 to B1, with stable outlook.
  4. In March 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series S) as ilA-, with negative outlook.
  5. In March 2024, Midroog rating agency set the credit rating for the Company's Debentures (Series S) as A3.il, with negative outlook.
  6. On April 30, 2024, the S&P Maalot rating agency set the credit rating of Debentures (Series P) of the Company as ilA, with negative outlook.
  7. On April 30, 2024, Midroog rating agency set the credit rating of Debentures (Series P) of the Company as A3.il, with a negative outlook.
  8. On June 30, 2024, the S&P Maalot rating agency set the credit rating of Debentures (Series K, L, M, P, Q, S) of the Company as ilA-, and revised the outlook from negative to stable.
  9. On June 30, 2024, the S&P Maalot rating agency ratified the credit rating of the Company's Debentures (Series O, R) as ilA, and revised the outlook from negative to stable.
  10. On June 30, 2024, the S&P Maalot rating agency set the credit rating of the Company’s Debentures (Series T) as ilA, with stable outlook.

**Note 4 - Financial Instruments**

1. Fair value of financial instruments

The carrying amounts of certain financial assets and liabilities, including cash, trade and other receivables, short-term loans and borrowings, trade and other payables corresponds to or are close to their fair value.

The fair value and carrying amounts of the other financial liabilities (including current liabilities) presented in the statement of financial position according to their amortized cost are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | **At June 30, 2024** | | |  | **At June 30, 2023** | | |  | **At December 31, 2023** | | | |  | **Balance** |  | **Fair value** |  | **Balance** |  | **Fair value** |  | **Balance** |  | **Fair value** | |  | **NIS million** | | | | | | | | | | | | Debentures (Level 1) | 15,762 |  | 15,070 |  | 16,303 |  | 13,793 |  | 15,585 |  | 14,358 | | Interest bearing liabilities to banks and others (Level 2) | 7,634 |  | 7,290 |  | 7,654 |  | 6,127 |  | 7,177 |  | 6,919 | |  | 23,396 |  | 22,360 |  | 23,957 |  | 19,920 |  | 22,762 |  | 21,277 | |

1. Classification of financial instruments according to fair value level

In the reporting period there were no material changes regarding the classification of financial assets and liabilities that are measured in the financial statements at fair value, compared to their classification as at December 31, 2023. Furthermore, there were no transfers between Level 1 and Level 2 with respect to fair value measurement of any financial instruments, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instruments.

**Note 5 – Subsequent Events**

1. Subsequent to the reporting date, the Group bought back NIS 59.4 million par value Debentures (Series L, M, N and P), for NIS 63.3 million. Following the buyback, the Group recognized an early redemption gain in the amount of NIS 4.4 million.
2. Subsequent to reporting date, the Company bought back 2.8 million shares of the Company for NIS 31 million. These shares are treasury shares.
3. On August 14, 2024, the Company announced a dividend in the amount of NIS 0.10 per share (a total of NIS 18.2 million), payable on September 9, 2024 to the shareholders of the Company on August 29, 2024.
4. In July 2024, the Company issued to the public NIS 645 million par value Debentures (Series T) secured, among other things, by a mortgage on an income producing property of a wholly-owned (indirectly) subsidiary of the Company (the “Property Company”) in Warsaw, Poland, and a lien on the share capital of the company that holds the mortgaged property (the “Parent Company”), and a lien on the proceeds from a shareholders loan that is pledged to the property company for net consideration of NIS 637 million at coupon interest of 4.24%, linked to the CP"I, and are subject to the mechanism described in section 5 overleaf of the deed of trust signed between the Company and the trustee for the debentures (the “Deed of Trust”). Furthermore, the principal will be repaid in 10 semi-annual installments, as follows: 9 installments in amounts equivalent to 2% each of the principal, to be paid on March 31 and September 30 of each year from 2026 through 2030 (commencing March 31, 2026 through March 31, 2030), and the final installment of 82% of the principal will be paid on September 30, 2030.

The scope of the series issued was set at weighted leverage ratio of 0.70 (“LTV”), calculated according to the value of the pledged income producing property, as set out in the deed of trust of the debentures. The company is required to comply with an LTV of 0.65 in the event of an expansion of a series or sale of a pledged property, and on other specific test dates set in the deed, including the date of removal/addition of pledged properties, upon exchange of pledged properties, upon occurrence of a “disturbing event” (as defined in the deed of trust) with regard to the pledged company, on the date of introduction of a partner to a property and any other date set in the deed of trust that the company is required to comply with the LTV, other than the company's compliance with LTV ratio of 0.70 in the event of acquisition of the partner’s interests (as defined in the deed of trust) in the pledged property.

A downgrade of S&P Maalot’s credit rating to below ilA-, or Midroog’s credit rating to below A3 or a corresponding rating of another rating agency, will result in additional interest at a total rate of up to 1% (and if the rating is downgraded to a rating equivalent to or lower than BB- of S&P Maalot, or a corresponding rating, will result in increasing the interest rate to 3%, in accordance with the terms and increments set out in the debenture). Furthermore, in the event of a breach of certain financial covenant set in the deed of trust, a mechanism will apply for adding interest of up to 0.5% (in the event of breach of two financial covenants). It is hereby clarified that other than due to the addition of default interest, the maximum addition to the interest rate due to downgrading of credit rating and failure to comply with financial covenants can be 3.25%.

Under the issue of Debentures (Series T), 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 in the last of the above quarters will not fall below BBB- by S&P Maalot and below Baa3 by Midroog.

**Note 5 – Subsequent Events (Contd.)**

The Company also undertook to refrain from a distribution if, among other things, its equity falls below the NIS equivalent of USD 1 billion under its audited or reviewed consolidated financial statements. Furthermore, the provisions of the deed of trust of Debentures (Series T) 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, calling for immediate repayment of another series marketable debentures of the Company or calling 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, additional causes related to breaching of the provisions concerning liens in favor of the debenture holders, among others. Furthermore, the Company undertook to refrain from creating a 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.

In addition, as part of the Company's obligations in favor of the holders of Debentures (Series T), the Property Company and/or the Parent Company assumed several restrictions, including: (1) the Property Company will refrain from being a guarantor, from assuming any debt, financing, loan or other credit from any source that is not part of G City Group. Furthermore, other than as set out in the deed of trust, the Property Company will not create any encumbrance whatsoever. Should the Property Company take any loan whatsoever from G City Group, such loan will be inferior to Debentures (Series T); (2) the Property Company will refrain from engaging in a merger with another corporation other than a corporation belonging to the G City Group. Moreover, the Company will hold, directly and/or indirectly, at least 50.01% of the Parent Company and 100% of the Property Company. The Property Company will operate as an independent and separate entity from any other corporation belonging to the G City Group; (3) the Property Company will refrain from purchasing additional properties (other than the rest of the holdings in the joint properties, as defined in the deed of trust), unless as part of routine business and it will not modify its area of operations. In addition, the Property Company will not acquire or establish any companies whatsoever; (4) the Property Company will not amend its incorporation documents in a manner that will jeopardize the collateral placed under the deed of trust; (5) the Property Company may pay property management fees and operating management fees to the Company and/or any other company of the G City Group, at market terms; and (6) the Parent Company will refrain from creating and from undertaking to create a floating charge on all of its assets.

For condensed information regarding the Property Company, see Note 8.

1. In July 2024, the Company issued in a private placement, by means of expansion of a marketable series, NIS 200 million par value Debentures (Series N) (which are unsecured) for gross consideration of NIS 191 million and at effective interest of 6.03% (CPI-linked).
2. On July 1, 2024, Midroog rating agency set the credit rating for Debentures (Series T) of the Company as A2.il, with a stable outlook.
3. On July 1, 2024, the Midroog rating agency ratified the credit rating for Debentures (Series K, L, M, N, P, Q, and S) of the Company as A3.il, and revised the outlook from negative to stable.

On July 1, 2024, Midroog rating agency ratified the credit rating of the Company's Debentures (Series O, R) as A2.il, and revised the negative outlook to stable.

1. On July 11, 2024, Midroog rating agency set the credit rating for Debentures (Series N) of the Company as A3.il, with a stable outlook.
2. On July 11, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series N) as ilA-, with stable outlook.

**Note 6 - Operating Segments**

The Company reports five reportable segments pursuant to the IFRS 8 management approach.

The Northern Europe segment is under a public subsidiary controlled by the Company, the other segments are wholly owned by the Company.

For the 6 months ended June 30, 2024

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Northern Europe** |  | **Central and Eastern Europe** |  | **Israel** |  | **Brazil** |  | **USA** |  | **Other segments** |  | **Adjustments to consolidated** |  | **Consolidated** | |  |  | **Unaudited** | | | | | | | | | | | | | | | |  |  | **NIS million** | | | | | | | | | | | | | | | | Segment revenues | | 638 |  | 289 |  | 172 |  | 89 |  | 76 |  | 17 |  | (28) |  | 1,253 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Operating income, net | | 422 |  | 202 |  | 118 |  | 73 |  | 49 |  | 9 |  | (17) |  | 856 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit (loss) of operating segments | | 524 |  | 96 |  | 110 |  | 67 |  | (2) |  | 9 |  | 394 |  | 1,199 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Financing expenses, net | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (573) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit before taxes on income | | |  |  |  |  |  |  |  |  |  |  |  |  |  | 626 | |

For the 6 months ended June 30, 2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Northern Europe** |  | **Central and Eastern Europe** |  | **Israel** |  | **Brazil** |  | **USA** |  | **Other segments** |  | **Adjustments to consolidated** |  | **Consolidated** | |  |  | **Unaudited** | | | | | | | | | | | | | | | |  |  | **NIS million** | | | | | | | | | | | | | | | | Segment revenues | | 585 |  | 341 |  | 138 |  | 100 |  | 71 |  | 19 |  | (65) |  | 1,189 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Operating income, net | | 388 |  | 232 |  | 102 |  | 85 |  | 49 |  | 11 |  | (39) |  | 828 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit (loss) of operating segments | | 324 |  | (469) |  | 95 |  | 75 |  | 39 |  | 8 |  | 261 |  | 333 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Financing expenses, net | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (596) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit before income tax | | |  |  |  |  |  |  |  |  |  |  |  |  |  | (263) | |

**Note 6 - Operating Segments (contd.)**

For the 3 months ended June 30, 2024

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Northern Europe** |  | **Central Europe** |  | **Israel** |  | **Brazil** |  | **USA** |  | **Other segments** |  | **Adjustments to consolidated** |  | **Consolidated** | |  |  | **Unaudited** | | | | | | | | | | | | | | | |  |  | **NIS million** | | | | | | | | | | | | | | | | Segment revenues | | 323 |  | 143 |  | 88 |  | 45 |  | 39 |  | 8 |  | (14) |  | 632 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Operating income, net | | 219 |  | 100 |  | 61 |  | 36 |  | 26 |  | 5 |  | (9) |  | 438 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit of operating segments | | 185 |  | 97 |  | 70 |  | 32 |  | 20 |  | 3 |  | 407 |  | 815 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Financing expenses, net | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (319) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit before taxes on income | | |  |  |  |  |  |  |  |  |  |  |  |  |  | 496 | |

For the 3 months ended June 30, 2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Northern Europe** |  | **Central and Eastern Europe** |  | **Israel** |  | **Brazil** |  | **USA** |  | **Other segments** |  | **Adjustments to consolidated** |  | **Consolidated** | |  |  | **Unaudited** | | | | | | | | | | | | | | | |  |  | **NIS million** | | | | | | | | | | | | | | | | Segment revenues | | 292 |  | 153 |  | 67 |  | 54 |  | 37 |  | 11 |  | (29) |  | 585 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Operating income, net | | 200 |  | 105 |  | 49 |  | 47 |  | 26 |  | 7 |  | (16) |  | 418 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit (loss) of operating segments | | 174 |  | (64) |  | 46 |  | 42 |  | 20 |  | 5 |  | 196 |  | 419 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Financing expenses, net | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (248) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit before taxes on income | | |  |  |  |  |  |  |  |  |  |  |  |  |  | 171 | |

**Note 6 - Operating Segments (contd.)**

For the year ended December 31, 2023

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Northern Europe** |  | **Central and Eastern Europe** |  | **Israel** |  | **Brazil** |  | **USA** |  | **Other segments** |  | **Adjustments to consolidated** |  | **Consolidated** | |  |  | **Audited** | | | | | | | | | | | | | | | |  |  | **NIS million** | | | | | | | | | | | | | | | | Segment revenues | | 1,206 |  | 662 |  | 305 |  | 192 |  | 150 |  | 38 |  | (115) |  | 2,438 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Operating income, net | | 807 |  | 450 |  | 197 |  | 162 |  | 97 |  | 21 |  | (67) |  | 1,667 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit (loss) of operating segments | | 681 |  | (282) |  | 181 |  | 140 |  | 71 |  | 16 |  | (939) |  | (132) | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Financing expenses, net | |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (1,068) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | Profit before income tax | | |  |  |  |  |  |  |  |  |  |  |  |  |  | (1,200) | |

Segment assets:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | **Northern Europe** |  | **Central and Eastern Europe** |  | **Israel** |  | **Brazil** |  | **USA** |  | **Other segments** |  | **Adjustments to consolidated** |  | **Consolidated** | |  |  | **Unaudited** | | | | | | | | | | | | | | | |  |  | **NIS million** | | | | | | | | | | | | | | | | June 30, 2024 | | 17,441 |  | 8,660 |  | 4,984 |  | 2,316 |  | 3,464 |  | 363 |  | 1,583 |  | 38,811 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | June 30, 2023 | | 17,477 |  | 9,099 |  | 4,876 |  | 2,990 |  | 3,621 |  | 393 |  | 1,612 |  | 40,068 | |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | December 31, 2023 (Audited) | | 17,102 |  | 9,454 |  | 4,820 |  | 2,530 |  | 3,706 |  | 365 |  | 896 |  | 38,873 | |

**Note 7 - Condensed Financial Information of G Alpha**

In February 2024 the Company issued to the public NIS 410 million par value 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.

Breakdown of Condensed Financial Information of G Alpha and key notes:

Condensed financial information of financial position -

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  |  |  |  | **At** | |  | **June 30** | | |  | **December 31** | |  | **2024** |  | **2023** |  | **2023** | |  | **USD thousand** | | | | | | Properties |  |  |  |  |  | | Current assets |  |  |  |  |  | | Cash and cash equivalents | 5,386 |  | 2,564 |  | 1,682 | | Trade receivables | 91 |  | 210 |  | 258 | | Other receivables | 81 |  | 610 |  | 333 | |  | 5,558 |  | 3,384 |  | 2,273 | |  |  |  |  |  |  | | Non-current assets |  |  |  |  |  | | Deposits | 871 |  | 923 |  | 899 | | Investment property | 279,781 |  | 278,606 |  | 282,939 | | Fixed assets, net | 362 |  | 92 |  | 272 | |  | 281,014 |  | 279,621 |  | 284,110 | |  |  |  |  |  |  | |  | 286,572 |  | 283,005 |  | 286,383 | |  |  |  |  |  |  | | Liabilities and Equity |  |  |  |  |  | | Current liabilities |  |  |  |  |  | | Trade payables and service providers | 1,346 |  | 1,139 |  | 564 | | Other payables | 246 |  | 293 |  | 373 | |  | 1,592 |  | 1,432 |  | 937 | | Non-current liabilities |  |  |  |  |  | | Interest-bearing loans from banks and others | 89,413 |  | 89,306 |  | 89,359 | | Other liabilities | 1,093 |  | 1,157 |  | 1,132 | |  | 90,506 |  | 90,463 |  | 90,491 | |  |  |  |  |  |  | | Equity attributable to equity holders of the Company | 194,474 |  | 191,110 |  | 194,955 | |  |  |  |  |  |  | |  | 286,572 |  | 283,005 |  | 286,383 | |

**Note 7 - Condensed Financial Information of G Alpha (contd.)**

Condensed financial information of comprehensive income or loss

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  |  | | | | | | | | | |  |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  |  | **Unaudited** | | |  | **Unaudited** | | |  | **Audited** | |  |  | **USD thousand** | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  | | Rental income - commercial | | 3,318 |  | 3,045 |  | 1,652 |  | 1,547 |  | 6,296 | | Rental property operating expenses - commercial | | 574 |  | 379 |  | 298 |  | 204 |  | 1,162 | | Net operating income (NOI) - commercial | | 2,744 |  | 2,666 |  | 1,354 |  | 1,343 |  | 5,134 | |  |  |  |  |  |  |  |  |  |  |  | | Rental income - residential | | 4,963 |  | 4,794 |  | 2,500 |  | 2,416 |  | 9,654 | | Rental property operating expenses - residential | | 1,961 |  | 1,756 |  | 941 |  | 905 |  | 4,097 | | Net operating income (NOI) - residential | | 3,002 |  | 3,038 |  | 1,559 |  | 1,511 |  | 5,557 | |  |  |  |  |  |  |  |  |  |  |  | | Total operating income, net | | 5,746 |  | 5,704 |  | 2,913 |  | 2,854 |  | 10,691 | |  | |  |  |  |  |  |  |  |  |  | | General and administrative expenses | | (32) |  | - |  | (17) |  | - |  | (10) | | Appreciation (impairment) of investment property | | (4,305) |  | (4,373) |  | (4,305) |  | (4,373) |  | (713) | |  |  |  |  |  |  |  |  |  |  |  | | Operating profit (loss) | | 1,409 |  | 1,331 |  | (1,409) |  | (1,519) |  | 9,968 | |  |  |  |  |  |  |  |  |  |  |  | | Financing expenses, net | | (1,361) |  | (1,391) |  | (665) |  | (696) |  | (2,783) | |  |  |  |  |  |  |  |  |  |  |  | | Net profit (loss) | | 48 |  | (60) |  | (2,074) |  | (2,215) |  | 7,185 | |

**Note 7 - Condensed Financial Information of G Alpha (contd.)**

Condensed financial information of cash flow

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  |  |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  |  |  | **Unaudited** | | |  | **Unaudited** | | |  | **Audited** | |  |  |  | **USD thousand** | | | | | | | | | | Cash flows from operating activities | | |  |  |  |  |  |  |  |  |  | | Net profit (loss) | | | 48 |  | (60) |  | (2,074) |  | (2,215) |  | 7,185 | | Adjustments required for presentation of cash flows from current operations | | |  |  |  |  |  |  |  |  |  | | Adjustments to profit or loss | | |  |  |  |  |  |  |  |  |  | | Financing expenses, net | | | 1,392 |  | 1,392 |  | 696 |  | 696 |  | 2,783 | | Impairment (appreciation) in investment property, net | | | 4,305 |  | 4,373 |  | 4,305 |  | 4,373 |  | 713 | | Depreciation and amortization | | | 27 |  | - |  | 27 |  | - |  | 10 | |  |  |  | 5,724 |  | 5,765 |  | 5,028 |  | 5,069 |  | 3,506 | | Changes in items of assets and liabilities: | | |  |  |  |  |  |  |  |  |  | | Decrease (increase) in trade receivables and other receivables | | | (359) |  | (578) |  | (535) |  | (243) |  | (450) | | Increase (decrease) in trade and other payables | | | 1,231 |  | 1,022 |  | 366 |  | 107 |  | 468 | |  |  |  | 872 |  | 444 |  | (169) |  | (136) |  | 18 | |  |  |  |  |  |  |  |  |  |  |  |  | | Net cash provided by operating activities before interest, dividend, and taxes | | | 6,644 |  | 6,149 |  | 2,785 |  | 2,718 |  | 10,709 | |  | | |  |  |  |  |  |  |  |  |  | | Cash paid and received during the period for: | | |  |  |  |  |  |  |  |  |  | | Interest paid | | | (1,338) |  | (1,375) |  | (669) |  | (706) |  | (2,714) | |  |  |  |  |  |  |  |  |  |  |  |  | | Net cash from operating activities | | | 5,306 |  | 4,774 |  | 2,116 |  | 2,012 |  | 7,995 | |  |  |  |  |  |  |  |  |  |  |  |  | | Cash flows from investment activities | | |  |  |  |  |  |  |  |  |  | | Acquisition, construction, and development of investment property | | | (955) |  | (719) |  | (135) |  | (54) |  | (1,234) | | Investments in property, plant and equipment and other assets | | | (116) |  | (86) |  | (35) |  | (73) |  | (275) | | Net cash used for investment activities | | | (1,071) |  | (805) |  | (170) |  | (127) |  | (1,509) | |  |  |  |  |  |  |  |  |  |  |  |  | | Cash flow from financing activities | | |  |  |  |  |  |  |  |  |  | | Shareholders’ investment | | | 14 |  | 536 |  | - |  | 26 |  | 2,072 | | Dividend paid to Company shareholders | | | (545) |  | (3,505) |  | - |  | (2,505) |  | (8,440) | | Net cash used for financing activities | | | (531) |  | (2,969) |  | - |  | (2,479) |  | (6,368) | |  |  |  |  |  |  |  |  |  |  |  |  | | Increase (decrease) in cash and cash equivalents | | | 3,704 |  | 1,000 |  | 1,946 |  | (594) |  | 118 | | Cash and cash equivalents at the beginning of the period | | | 1,682 |  | 1,564 |  | 3,440 |  | 3,158 |  | 1,564 | | Cash and cash equivalents at the end of the period | | | 5,386 |  | 2,564 |  | 5,386 |  | 2,564 |  | 1,682 | |

**Note 7 - Condensed Financial Information of G Alpha (contd.)**

Key Notes

* + - 1. General

1. G Alpha is a limited liability company established pursuant to the laws of the State of Delaware in the USA, on October 23, 2023.
2. G Alpha engages, through 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 at reporting date, it owns 6 income-generating properties.
3. On February 4, 2024, Gazit Horizons Inc., which holds the entire capital of G Alpha, transferred to G Alpha its entire holdings in 6 wholly-owned private companies, each of which owns an income-generating property.
4. Due to the establishment of G Alpha on October 23, 2023 and the transfer of the private companies to it as aforesaid, G Alpha prepared these condensed consolidated financial statements pursuant to the provisions of Regulations 9A and 38B of the Securities Regulations (Periodic and Immediate Reports) 1970, which reflect the results of G Alpha’s consolidated operations, as though the consolidated companies that were transferred to it were consolidated in its financial statements in the said periods. All the comparable data and financial information presented above that refer to a period prior to the transfer of the private companies to it, are proforma information.
   * + 1. Significant Accounting Policies

The main accounting policies that were applied in the financial statements attributable to G Alpha are consistent with those applied in the preparation of these consolidated financial statements.

* + - 1. Proforma assumptions

1. All the comparable data and financial information that relate to a period prior to the transfer of the private companies to it, are proforma information.
2. The financial information is presented in order to reflect the financial position, profit or loss and cash flows attributable to G Alpha as if it had existed and as if its consolidated companies were consolidated in its statements in the presented periods.
3. The financial information in these financial statements were consolidated into the consolidated financial statements of G City Ltd. for the relevant periods.
4. The acquisition of the properties and/or the consolidated companies are reflected in these financial statements as though they were acquired by G Alpha at the time the companies and/or properties were originally acquired by Gazit Horizons Inc., and the financing of the acquisitions was by Gazit Horizons Inc. equity investments in G Alpha.
5. G Alpha and Gazit Horizons Inc. are consolidated for income tax purposes in the United States with their parent company, MGN USA Inc. (“MGN”), and the tax obligations apply to MGN, and therefore there are no income tax effects in the Company’s books.

**Note 8 - Condensed Financial Information of CH Targowek**

In July 2024, the Company issued to the public NIS 645 million par value Debentures (Series T) that are secured, among other things, by a first degree mortgage on the full interests of CH Targowek (a wholly owned subsidiary, indirectly, of the Company; the “Property Company”) in a commercial property known as the Targowek Shopping Center (“Targowek”) and the accompanying rights, as well as a single lien on the bank account that was established and held by the Property Company, and a lien on the shares of the Property Company, as well as on the shareholders’ loan that was provided for it (for further information see Note 5D above).

Breakdown of Condensed Financial Information of the Property Company and key notes:

Condensed financial information of financial position -

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| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  |  |  |  | **At** | |  | **June 30** | | |  | **December 31** | |  | **2024** |  | **2023** |  | **2023** | |  | **EUR thousands** | | | | | | Properties |  |  |  |  |  | | Current assets |  |  |  |  |  | | Cash and cash equivalents | 1,220 |  | 1,934 |  | 1,521 | | Trade receivables | 726 |  | 759 |  | 885 | | Loans to affiliated parties | - |  | 3,291 |  | 6,565 | | Other receivables | 386 |  | 723 |  | 679 | |  | 2,332 |  | 6,707 |  | 9,650 | |  |  |  |  |  |  | | Non-current assets |  |  |  |  |  | | Investment property | 230,538 |  | 228,713 |  | 230,215 | | Fixed assets, net | 20 |  | 48 |  | 22 | |  | 230,558 |  | 228,761 |  | 230,237 | |  |  |  |  |  |  | | Total assets | 232,890 |  | 235,468 |  | 239,887 | |  |  |  |  |  |  | | Liabilities and Equity |  |  |  |  |  | | Current liabilities |  |  |  |  |  | | Trade payables and service providers | 201 |  | 338 |  | 214 | | Other payables | 2,324 |  | 2,559 |  | 2,024 | | Short term liability with respect to leases | 215 |  | 207 |  | 215 | |  | 2,740 |  | 3,105 |  | 2,453 | | Non-current liabilities |  |  |  |  |  | | Loans from affiliated parties | 69,213 |  | 71,427 |  | 73,063 | | Other liabilities | 9,759 |  | 9,271 |  | 9,410 | |  | 78,972 |  | 80,698 |  | 82,473 | |  |  |  |  |  |  | | Equity attributable to equity holders of the Company | 151,178 |  | 151,665 |  | 154,961 | |  |  |  |  |  |  | | Total equity and liabilities | 232,890 |  | 235,468 |  | 239,887 | |

**Note 8 - Condensed Financial Information of CH Targowek (contd.)**

Condensed financial information of comprehensive income or loss

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | | | | | | | | | | |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | | |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | | |  | **EUR thousands** | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  | | | Rental and other income | 8,729 |  | 8,317 |  | 4,516 |  | 4,259 |  | | 17,298 | | Property operating and other expenses | 1,971 |  | 1,953 |  | 1,049 |  | 1,000 |  | | 3,811 | | Operating income, net | 6,758 |  | 6,364 |  | 3,467 |  | 3,259 |  | | 13,487 | |  |  |  |  |  |  |  |  |  | |  | |  |  |  |  |  |  |  |  |  | |  | | Fair value gain from investment property and investment property under development, net | 254 |  | 405 |  | 125 |  | 198 |  | | 1,664 | | General and administrative expenses | 1,368 |  | 348 |  | 732 |  | (392) |  | | 1,584 | | Operating profit (loss) | 5,644 |  | 6,421 |  | 2,860 |  | 3,849 |  | | 13,567 | |  |  |  |  |  |  |  |  |  | |  | | Financing expenses, net | 2,629 |  | 5,595 |  | 1,104 |  | 4,388 |  | | 9,240 | |  |  |  |  |  |  |  |  |  | |  | | Income (loss) before taxes on income | 3,015 |  | 826 |  | 1,756 |  | (539) |  | | 4,327 | |  |  |  |  |  |  |  |  |  |  | | | Taxes on income (tax benefit) | 450 |  | (1,003) |  | 232 |  | (1,382) |  | | (798) | |  |  |  |  |  |  |  |  |  | |  | | Net profit (loss) | 2,565 |  | 1,829 |  | 1,524 |  | 843 |  | | 5,125 | |

**Note 8 - Condensed Financial Information of CH Targowek (contd.)**

Condensed financial information of cash flow

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | **Year ended December 31** | |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  | **EUR thousands** | | | | | | | | | | Cash flows from operating activities |  |  |  |  |  |  |  |  |  | | Collected rents | 11,561 |  | 10,851 |  | 5,765 |  | 5,644 |  | 21,891 | | Receipt of receivable payments | 294 |  | 217 |  | 235 |  | 107 |  | 293 | | Payment to suppliers | (6,027) |  | (5,543) |  | (3,031) |  | (2,628) |  | (11,198) | | Income tax paid | 290 |  | (264) |  | 431 |  | (135) |  | (82) | | Net cash from operating activities | 6,118 |  | 5,262 |  | 3,400 |  | 2,989 |  | 10,904 | |  |  |  |  |  |  |  |  |  |  | | Cash flows from investment activities |  |  |  |  |  |  |  |  |  | | Investment in investment property | (122) |  | (312) |  | (65) |  | (113) |  | (1,078) | | Loans granted to Group companies | (2,870) |  | (3,141) |  | (1,666) |  | (1,127) |  | (6,244) | | Repayment of loans to Group companies | 9,625 |  | 12 |  | 9,625 |  | 12 |  | 70 | | Net cash flows from (used in) investment activities | 6,633 |  | (3,440) |  | 7,894 |  | (1,227) |  | (7,252) | |  |  |  |  |  |  |  |  |  |  | | Cash flow from financing activities |  |  |  |  |  |  |  |  |  | | Repayment of loans among Group companies | (6,701) |  | (2,192) |  | (5,536) |  | (333) |  | (4,474) | | Reduction of Capital | (6,348) |  | - |  | (6,348) |  | - |  | - | | Net cash from (used for) financing operations | (13,049) |  | (2,192) |  | (11,884) |  | (333) |  | (4,474) | |  |  |  |  |  |  |  |  |  |  | | Exchange differences for cash and cash equivalents | (3) |  | 44 |  | (14) |  | 33 |  | 83 | |  |  |  |  |  |  |  |  |  |  | | Increase (decrease) in cash and cash equivalents | (301) |  | (326) |  | (604) |  | 1,462 |  | (739) | | Cash and cash equivalents at the beginning of the period | 1,521 |  | 2,260 |  | 1,824 |  | 472 |  | 2,260 | | Cash and cash equivalents at the end of the period | 1,220 |  | 1,934 |  | 1,220 |  | 1,934 |  | 1,521 | |

Key Notes

1. CH Targowek sp. Z o. o. is a company incorporated in Poland, which engages in the management of income-generating real estate and owns the Atrium Targowek Shopping Center in Warsaw, Poland.

The company is wholly owned (indirectly) by G City Ltd. (G. City). The financial information in these financial statements were consolidated into the consolidated financial statements of G City for the relevant periods.

1. The accounting policies applied in these condensed financial statements are consistent with those applied in preparing the consolidated financial statements of December 31, 2023.

**G City Ltd.  
  
Financial Information from the Condensed Consolidated Interim Statements attributable to the Company**  
  
**As at June 30, 2024**

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| **Kost Forer Gabbay & Kasierer**  144 Menachem Begin Road, Building A  Tel-Aviv 6492102, Israel |  | Tel: +972-3-6232525  Fax: +972-3-5622555  ey.com |

**To**

**The Shareholders of G CITY Ltd.**

**Dear Sirs/Mmes.,**

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

**Introduction**

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38d to the Securities Regulations (Periodic and Immediate Reports), 1970 of G City Ltd. ("the Company") as of June 30, 2024 for the six and three months period then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information taken from the interim financial information of investees, whose assets less attributable liabilities net amounted to approximately NIS 2,830 million as of June 30, 2024 and the Company's share of their earnings amounted to approximately NIS 160 million and 45 NIS for the six and three months periods then ended. The separate interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

**Scope of review**

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

**Conclusion**

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

|  |  |
| --- | --- |
| Tel-Aviv, Israel | KOST FORER GABBAY & KASIERER |
| August 14, 2024 | A Member of Ernst & Young Global |

**G City Ltd.**

**Financial Figures and Financial Information from the Condensed Interim Financial Statements attributable to the Company**

Below are the separate figures and financial information from the condensed interim financial statements of the Group as at June 30, 2024, published as part of the periodic reports (the "Consolidated Reports"), attributable to the Company, presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports),1970.

The accounting policy applied for presenting this financial information are set out in Note 2 to the annual consolidated financial statements.

Consolidated subsidiaries as defined in Note 1 to the annual consolidated financial statements.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **June 30** | | |  | **December 31** | |  | **2024** |  | **2023** |  | **2023** | |  | **Unaudited** | | |  | **Audited** | |  | **NIS million** | | | | | | **Properties** |  |  |  |  |  | | Current assets |  |  |  |  |  | | Cash and cash equivalents | 160 |  | 151 |  | 152 | | Short-term deposits | 5 |  | - |  | - | | Financial assets | 1 |  | 34 |  | 14 | | Financial derivatives | 64 |  | 92 |  | 34 | | Other receivables | 141 |  | 113 |  | 113 | | Trade receivables | 23 |  | 30 |  | 26 | | Current tax assets | 2 |  | 2 |  | 2 | |  | 396 |  | 422 |  | 341 | |  |  |  |  |  |  | | Non-current assets |  |  |  |  |  | | Financial assets | 53 |  | 35 |  | 48 | | Financial derivatives | 8 |  | 9 |  | 99 | | Investment property | 3,726 |  | 3,563 |  | 3,637 | | Investment property under development | 1,185 |  | 1,226 |  | 1,117 | | Other investments, loans and receivables | 23 |  | 21 |  | 24 | | Loans to subsidiaries | 2,425 |  | 2,359 |  | 2,411 | | Investments in subsidiaries | 8,945 |  | 11,063 |  | 9,169 | | Fixed and other assets, net | 35 |  | 38 |  | 37 | |  | 16,400 |  | 18,314 |  | 16,542 | |  |  |  |  |  |  | |  | 16,796 |  | 18,736 |  | 16,883 | |  |  |  |  |  |  | | The accompanying additional information is an integral part of the financial information and of the separate financial information. | | | | | | |

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| |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  |  |  |  |  | |  | **June 30** | | |  | **December 31** | |  | **2024** |  | **2023** |  | **2023** | |  | **Unaudited** | | |  | **Audited** | |  | **NIS million** | | | | | | **Liabilities and Equity** |  |  |  |  |  | | Current liabilities |  |  |  |  |  | | Current maturities of non-current liabilities | 2,421 |  | 1,974 |  | 2,580 | | Short-term loans from subsidiaries | 43 |  | 427 |  | 168 | | Financial derivatives | - |  | 4 |  | 163 | | Trade payables and service providers | 26 |  | 35 |  | 19 | | Other payables | 69 |  | 64 |  | 89 | |  | 2,559 |  | 2,504 |  | 3,019 | | Non-current liabilities |  |  |  |  |  | | Loans from banks | 2,527 |  | 2,692 |  | 1,896 | | Loans from affiliates | 57 |  | 1,310 |  | 430 | | Debentures and convertible debentures | 6,504 |  | 6,543 |  | 6,460 | | Financial derivatives | 165 |  | 231 |  | 202 | | Other liabilities | 40 |  | 60 |  | 8 | | Deferred taxes | 19 |  | - |  | 31 | |  | 9,312 |  | 10,836 |  | 9,027 | |  |  |  |  |  |  | | Equity attributable to equity holders of the Company |  |  |  |  |  | | Share capital | 239 |  | 231 |  | 239 | | Share premium | 4,782 |  | 4,671 |  | 4,754 | | Retained earnings | 2,682 |  | 3,121 |  | 2,430 | | Adjustments due to translation of financial statements of foreign operations | (4,071) |  | (3,984) |  | (3,998) | | Other reserves | 1,304 |  | 1,358 |  | 1,413 | | Treasury shares | (11) |  | (1) |  | (1) | |  | 4,925 |  | 5,396 |  | 4,837 | |  |  |  |  |  |  | | Total liabilities and equity | 16,796 |  | 18,736 |  | 16,883 | |  |  |  |  |  |  | | The accompanying additional information is an integral part of the financial information and of the separate financial information. | | | | | | |

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| August 14, 2024 |  |  |  |  |  |  |
| Date of approval of the financial statements |  | Ehud Arnon  Chairman of the Board of Directors |  | Chaim Katzman  CEO and Vice Chairman of the Board of Directors |  | Gil Kotler  CFO |

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| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  |  |  |  |  |  |  |  |  | **Year ended December 31** | |  |  | **Six months ended**  **June 30** | | |  | **Three months ended**  **June 30** | | |  | |  |  | **2024** |  | **2023** |  | **2024** |  | **2023** |  | **2023** | |  |  | **Unaudited** | | |  | **Unaudited** | | |  | **Audited** | |  |  | **NIS million** | | | | | | | | | | Cash flows from operating activities of the Company: | |  |  |  |  |  |  |  |  |  | | Net profit (loss) attributed to the Company | | 252 |  | (512) |  | 329 |  | (3) |  | (1,203) | |  | |  |  |  |  |  |  |  |  |  | | Adjustments for presentation of statement of cash flows from the Company's ongoing operations: | |  |  |  |  |  |  |  |  |  | |  | |  |  |  |  |  |  |  |  |  | | Adjustments to profit and loss items of the Company: | |  |  |  |  |  |  |  |  |  | | Depreciation | | 1 |  | 1 |  | - |  | - |  | 3 | | Financing expenses, net | | 267 |  | 443 |  | 152 |  | 202 |  | 770 | | Impairment (appreciation) in investment property and investment property under development, net | | (54) |  | (2) |  | (61) |  | (10) |  | 137 | | Loss (income) with respect to consolidated subsidiaries, net | | (382) |  | 149 |  | (376) |  | (135) |  | 360 | | Cost of share-based payment | | 1 |  | - |  | - |  | - |  | 1 | | Taxes on income (tax benefit) | | 9 |  | (3) |  | 4 |  | (18) |  | 79 | |  | | (158) |  | 588 |  | (281) |  | 39 |  | 1,350 | | Changes in the Company's asset and liability items: | |  |  |  |  |  |  |  |  |  | | Decrease (increase) in trade receivables and other receivables | | 76 |  | (41) |  | 70 |  | (32) |  | (43) | | Decrease in trade and other payables | | (16) |  | (8) |  | (58) |  | (153) |  | (1) | |  | | 60 |  | (49) |  | 12 |  | (185) |  | (44) | | Changes in assets and liabilities items: Decrease (Increase) in other accounts receivable | |  |  |  |  |  |  |  |  |  | | Interest paid | | (215) |  | (169) |  | (159) |  | (109) |  | (472) | | Interest received from subsidiaries, net | | 135 |  | 44 |  | 38 |  | 16 |  | 58 | | Taxes paid | | (82) |  | - |  | (24) |  | - |  | - | | Dividend received from subsidiaries | | 33 |  | 51 |  | 17 |  | 24 |  | 102 | |  | | (129) |  | (74) |  | (128) |  | (69) |  | (312) | |  | |  |  |  |  |  |  |  |  |  | | Net cash from (used for) the Company's ongoing operations | | 25 |  | (47) |  | (68) |  | (218) |  | (209) | |  | |  |  |  |  |  |  |  |  |  | | The accompanying additional information is an integral part of the financial information and of the separate financial information. | | | | | | | | |  |  | |

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A. General

* 1. This separate financial information was drafted in a condensed format as at June 30, 2024 and for the three months then ended, pursuant to the provisions of article 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be reviewed in conjunction with the financial information regarding the annual financial statements as at December 31, 2023, and for the year then ended and their accompanying notes, as approved by the Company's board of directors on March 28, 2024, and in conjunction with the condensed interim consolidated financial statements as at June 30, 2024.
  2. As at June 30, 2024, (the “Reporting Date”) the Company had working capital deficit in the amount of NIS 2.2 billion. The Company and its wholly-owned subsidiaries have unutilized approved credit facilities amounting to NIS 0.6 billion available for immediate withdrawal and held-for-sale properties in the Company’s wholly-owned subsidiaries in an amount of NIS 1.3 billion. The Company’s management believe that the foregoing sources, with the addition of the proceeds from the issue of debentures executed subsequent to the reporting date in an amount of NIS 0.8 billion, as set out in Note D1 below, and the positive cash flows from the ongoing operations of the Company and its wholly-owned subsidiaries will allow the Company to meet its short term repayment liabilities.
  3. For further information concerning the effects of the Swords of Iron war on the Company's operations see Note 1D to the consolidated financial statements.

B. Significant events during the Reporting Period

* 1. 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 280 million. For further information, see Note 3A1 to the consolidated financial statements.
  2. In the reporting period the Company bought back NIS 113.8 million par value Debentures (Series L, M, N and P), for NIS 110 million. Due to the buyback, the Company recognized an early redemption gain in the amount of NIS 16 million. The buyback debentures were canceled and delisted.
  3. In February 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series R) as ilA, with negative outlook.
  4. In February 2024, the Midroog rating agency set the credit rating of the Company’s Debentures (Series R) as A2.il, with negative outlook.
  5. In March 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series S) as ilA-, with negative outlook.
  6. In March 2024, the Midroog rating agency set the credit rating of the Company’s Debentures (Series S) as A3.il, with negative outlook.
  7. In April 2024 the Company issued to the public NIS 495.2 million par value debentures (Series S), secured by a second degree lien on real estate, for net proceeds of NIS 489 million and at effective interest of 4.39%.

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. For further information, see Note 3A7 to the consolidated financial statements.

B. Significant events during and subsequent to the reporting period (cont.)

* 1. In May 2024, the Company issued to the public, by means of expansion of a marketable series, NIS 350.2 million par value Debentures (Series P) secured by a fixed lien on G Europe shares held by wholly-owned subsidiaries of the Company, for a gross amount of NIS 336 million at effective interest of 5.8% (linked to the CPI). As G Europe has been delisted from trading, in the reporting period the Company acted together with the trustee for the debentures to convert G Europe shares to certificate shares (instead of book entry shares issued through Euroclear) and to register a new lien on G Europe shares as certificate shares by releasing encumbered surplus shares (pursuant to the provisions of the deed of trust) and as at reporting date there are 146 million G Europe shares pledged in favor of holders of Debentures (Series P).
  2. On April 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series P) as ilA, with negative outlook.
  3. On April 30, 2024, Midroog rating agency set the credit rating of the Company's Debentures (Series P) as A3.il, with negative outlook.
  4. On June 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series K, L, M, P, Q, R) as 'ilA-', with stable outlook.
  5. On June 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series O, R) as ilA, with stable outlook.
  6. On June 30, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series T) as ilA, with stable outlook.
  7. In the reporting period the Company bought back NIS 1.1 million par value shares of the Company for NIS 10 million. The acquired shares are treasury shares.

C. Financial Instruments

1. Fair value of Financial Instruments:

The carrying amounts of certain financial assets and liabilities, including cash, trade and other receivables, short-term loans and borrowings, trade and other payables corresponds to or are close to their fair value.

The fair values of the rest of the financial liabilities and their carrying amounts (including current maturities) presented in the statement of financial position, are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | **At June 30, 2024** | | |  | **At June 30, 2023** | | |  | **At December 31, 2023** | | | |  | **Carrying amount** |  | **Fair value** |  | **Carrying amount** |  | **Fair value** |  | **Carrying amount** |  | **Fair value** | |  | **NIS million** | | | | | | | | | | | | Debentures (Level 1) | 8,285 |  | 7,910 |  | 7,769 |  | 6,541 |  | 7,681 |  | 7,099 | | Loans from banks and others (Level 2) | 3,167 |  | 2,954 |  | 3,440 |  | 3,142 |  | 3,255 |  | 3,126 | |  | 11,452 |  | 10,864 |  | 11,209 |  | 9,683 |  | 10,936 |  | 10,225 | |

1. The financial instruments are classified according to the fair value scale:

In the reporting period there were no material changes regarding the classification of financial assets and liabilities that are measured in the financial statements at fair value, compared to their classification as at December 31, 2023. Furthermore, there were no transfers between Level 1 and Level 2 with respect to fair value measurement of any financial instruments, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instruments.

D. Subsequent events

1. Subsequent to the reporting date, the Company bought back NIS 59.4 million par value Debentures (Series L, M, N and P), for NIS 63.3 million. Due to the buyback, the Company recognized an early redemption gain in the amount of NIS 4.4 million. The buyback debentures were canceled and delisted.
2. Subsequent to reporting date, the Company bought back 2.8 million shares of the Company for NIS 31 million. These shares are treasury shares.
3. In July 2024, the Company issued to the public NIS 645 million par value Debentures (Series T) secured, among other things, by a mortgage on an income producing property of a wholly-owned (indirectly) subsidiary of the Company (the “Property Company”) in Warsaw, Poland, and all the shares of the company that holds the mortgaged property (the “Parent Company”) and a shareholders loan that is pledged to the Property Company, for net consideration of NIS 637 million. The principal and interest for debentures (Series T) are linked to the CPI and are subject to the mechanism described in section fF overleaf of the deed of trust signed between the Company and the trustee for the debentures (the “Deed of Trust”). Furthermore, the principal will be repaid in 10 semi-annual installments, as follows: 9 installments in amounts equivalent to 2% each of the principal, to be paid on March 31 and September 30 of each year from 2026 through 2030 (inclusive) (commencing March 31, 2026 through March 31, 2030), and the final installment of 82% of the principal will be paid on September 30, 2030. The debentures bear annual interest of 4.24%. For further information, see Note 5D to the consolidated financial statements.
4. In July 2024, the Company issued, under a private placement, by means of expansion of a marketable series, NIS 200 million par value Debentures (Series N) (which are unsecured) for a gross consideration of NIS 191 million and at effective interest of 6.03% (CPI-linked).
5. On July 1, 2024, Midroog rating agency set the credit rating of the Company's Debentures (Series T) as A2.il, with stable outlook.
6. On July 1, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series K, L, M, N, P, Q, and S) as A3.il, with stable outlook.
7. On July 1, 2024, Midroog rating agency set the credit rating of the Company's Debentures (Series O, R) as A2.il, and revised the negative outlook to stable.
8. On July 11, 2024, Midroog rating agency set the credit rating of the Company's Debentures (Series N) as A3.il, with stable outlook.
9. On July 11, 2024, the S&P Maalot rating agency set the credit rating for the Company’s Debentures (Series N) as 'ilA-', with stable outlook.
10. On August 14, 2024, the Company announced a dividend in the amount of NIS 0.10 per share (a total of NIS 18.2 million), payable on September 9, 2024, to the shareholders of the Company on august 29, 2024.

**Quarterly Report regarding the Effectiveness of the Internal Control over the Financial Reporting and Disclosure pursuant to Regulation 38C(a) of the Securities Regulations in Israel**

**Quarterly Report regarding the Effectiveness of the Internal Control over the Financial Reporting and Disclosure pursuant to Regulation 38C(a)**

The 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 - Vice Chairman of the of the Board of Directors and CEO;
2. Gil Kotler, CFO;
3. Revital Kahlon, VP and Legal Counsel;
4. Eli Mualem, Chief Accounting Officer;

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 President 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.

The quarterly report regarding the effectiveness of the internal control over the financial reporting and disclosure attached to the quarterly report for the period ended March 31, 2024 (the “Latest Quarterly Report on Internal Control”) found the internal control to be effective.

As at the reporting date no event or matter was brought to the attention of the board of directors or the management, which could change the effectiveness assessment of the internal control as found in the Latest Quarterly Report on Internal Control.

As at reporting date, based on the provisions of the Latest Quarterly Report on Internal Control and on information brought to the attention of the management and board of directors as aforesaid, the internal control remains effective.

**Officers’ Declarations**

1. **Declaration of the CEO pursuant to Regulation 38C(d)(l):**

**Officers’ Declarations  
Declaration of the CEO**

I, Chaim Katzman, hereby declare that:

(1) I have reviewed the Quarterly Report of G City Ltd. (the “Corporation”) for the second quarter of 2024 (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 financial 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) No event or matter that occurred during the period from the last Quarterly Report and the date of this Report was brought to my attention, which could change the conclusions of the board of directors and the management regarding the effectiveness of the internal control over and disclosure of the Corporation’s financial reporting.

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

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| August 14, 2024 |  |  |
|  |  | Chaim Katzman, CEO and Vice Chairman of the Board of Directors; |

1. **Declaration of the Chief Finance Officer of the Corporation pursuant to Regulation 38C(d)(2):**

**Officers’ Declaration  
Declaration of the Chief Finance Officer**

I, Gil Kotler, hereby declare that:

1. I have reviewed the interim financial statements and other financial information contained in the reports of the interim period of G City Ltd. (the “Corporation”) for the second quarter of 2024 (the “Financial Statements” or the “Interim Periodic Reports”);
2. As far as I am aware, the interim financial statements and other financial information for the interim period 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 Financial Statements;
3. As far as I am aware, the interim financial statements and other financial information included in the Interim Periodic Reports 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 Financial 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:
   1. All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent it relates to the interim financial statements and the other financial information included in the interim Financial 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 ‏-
   2. 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:
   1. 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 financial statements; and -
   2. 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.
   3. No event or matter that occurred during the period from the last Quarterly Report and the date of this Report that relates to the interim Financial Statements and to all other financial information contained in the interim Financial Statements, was brought to my attention, which could change, in my opinion, the conclusions of the board of directors and the management regarding the effectiveness of the internal control over and disclosure of the Corporation’s financial reporting.

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

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| August 14, 2024 |  |  |
|  |  | Gil Kotler, CFO |

1. ‏Unless stated otherwise, reference to affiliates includes companies that are fully consolidated by the Company and companies that are presented according to the equity method. [↑](#footnote-ref-1)
2. ‘FII’ – Fundo De Investimento Imobiliario. [↑](#footnote-ref-2)
3. 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.  [↑](#footnote-ref-3)
4. Including extensions to income-generating assets. [↑](#footnote-ref-4)
5. The balance of the income-producing properties attributed to the expanded Solo (not including CTY), an amount of NIS 1 billion is attributed to vacant spaces. For calculating the value attributed to vacant spaces, vacant space was defined as space that did not generate rent during the reporting period. The value of the vacant spaces was calculated in proportion to the value The relevant property (as long as it has not been assigned a separate value in the valuation of the property). The value of the vacant space is not reviewed or audited by the company's accountants. [↑](#footnote-ref-5)
6. Signed credit lines with financial institutions, secured by properties, 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 with respect to which the Group Companies pay various commissions, including a credit allocation fee. [↑](#footnote-ref-6)
7. Based on, among other things, data and forecasts published by the Bank of Israel, including its announcement of July 8, 2024 (www.BOI.org.il). [↑](#footnote-ref-7)