

**ASHTROM GROUP LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2024**

**UNAUDITED**

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## **Auditors' review report to the shareholders of Ashtrom Group Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Ashtrom Group Ltd. and subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of September 30, 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine and three months periods then ended. The board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of interim financial information for this period in accordance with the disclosure requirements of Chapter D of 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 subsidiaries, whose assets constitute approximately 15% of total consolidated assets as of September 30, 2024, and whose revenues constitute approximately 7% and 6% of total consolidated revenues for the nine and three months periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of companies accounted for at equity the investment in which amounted to approximately NIS 72 million as of September 30, 2024 and the Group's share of their earnings amounted to approximately NIS 4.5 million and NIS 3.1 million for the nine and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of 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 of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel  
November 26, 2024

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

NIS in thousands

	September 30, 2024 Unaudited	September 30, 2023 Unaudited	December 31, 2023 Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	1,002,739	1,023,212	1,409,337
Short-term investments	529,695	761,178	724,401
Trade and unbilled receivables	947,664	1,433,660	1,025,418
Other accounts receivable	224,799	285,380	217,652
Inventories of buildings and retail space for sale	1,490,503	1,403,553	1,379,835
Inventories	166,391	164,673	174,941
Total current assets	4,361,791	5,071,656	4,931,584
<b>NON-CURRENT ASSETS:</b>			
Lands for construction	1,794,450	1,948,718	1,945,370
Investment property under construction	636,260	1,682,131	1,616,380
Receivables from concession arrangements	238,969	247,434	243,542
Payments on account of purchase of investment property	494,464	476,597	476,597
Investment property	8,453,898	7,193,622	7,120,408
Associates	2,064,652	1,735,691	1,914,261
Other receivables and investments	275,948	*)330,294	337,728
Property, plant and equipment, net	3,161,277	*)2,218,993	2,653,230
Intangible assets and goodwill	81,093	101,225	86,139
Deferred taxes	70,957	60,647	51,520
Total non-current assets	17,271,968	15,995,352	16,445,175
Total assets	21,633,759	21,067,008	21,376,759

\*) Reclassified.

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

NIS in thousands

	September 30, 2024 Unaudited	September 30, 2023 Unaudited	December 31, 2023 Audited
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks	617,156	908,362	758,733
Loans from institutional entities	550,000	550,000	550,000
Current maturities of non-current liabilities	1,182,555	1,928,044	1,637,637
Subcontractors and trade payables	1,017,420	1,148,029	931,481
Liability for combination transactions	274,130	100,080	116,452
Advances from customers and buyers of apartments and real estate	156,271	192,106	196,035
Other accounts payable	435,455	391,141	413,223
Total current liabilities	4,232,987	5,217,762	4,603,561
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	4,554,047	2,889,734	4,014,799
Loans from institutional entities	2,421,327	1,983,118	1,979,791
Debentures	4,615,145	4,927,086	4,973,421
Lease liabilities	268,706	211,676	291,527
Other liabilities	106,809	128,523	151,071
Employee benefit liabilities	21,113	19,869	21,475
Deferred taxes	321,579	470,946	390,824
Total non-current liabilities	12,308,726	10,630,952	11,822,908
Total liabilities	16,541,713	15,848,714	16,426,469
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital	57,158	57,156	57,157
Share premium	1,341,171	1,339,410	1,339,895
Retained earnings	3,383,583	3,515,253	3,359,572
Reserves	72,942	98,754	(14,742)
Total	4,854,854	5,010,573	4,741,882
Non-controlling interests	237,192	207,721	208,408
Total equity	5,092,046	5,218,294	4,950,290
Total liabilities and equity	21,633,759	21,067,008	21,376,759

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

Avraham Nussbaum Chairman of the Board	Gil Gueron Managing Director and Member of the Board	Gal Omer Chief Financial Officer	Yeshayahu Abramovitch Chief Accounting Officer
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Date of approval of the financial statements: November 26, 2024.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

NIS in thousands

	Nine months ended September 30, 2024 Unaudited	Nine months ended September 30, 2023 Unaudited	Three months ended September 30, 2024 Unaudited	Three months ended September 30, 2023 Unaudited	Year ended December 31, 2023 Audited
Revenues	3,270,082	3,803,051	1,090,463	1,288,040	4,818,920
Cost of revenues	2,547,810	3,018,179	828,882	1,031,527	3,828,374
Gross profit	722,272	784,872	261,581	256,513	990,546
Gain from change in designation from inventories to investment property	-	57,776	-	-	57,776
Appreciation (impairment) of investment property, net	70,890	(35,176)	20,750	3,328	(232,434)
	793,162	807,472	282,331	259,841	815,888
Selling and marketing expenses	77,272	76,226	26,491	27,283	101,461
General and administrative expenses	288,154	291,168	97,227	101,720	388,122
Group's share of earnings of associates, net	46,821	41,637	25,024	3,672	40,189
Net income from tax credits	7,597	-	7,597	-	-
Other income (expenses), net	(10,246)	14,569	(5,644)	12,504	(14,390)
Operating income	471,908	496,284	185,590	147,014	352,104
Finance expenses	(585,023)	(407,435)	(222,475)	(138,141)	(512,133)
Finance income	116,313	127,882	38,177	19,965	162,044
Income before taxes on income	3,198	216,731	1,292	28,838	2,015
Taxes on income (tax benefit)	(37,679)	26,610	(20,122)	5,755	(35,974)
Net income	40,877	190,121	21,414	23,083	37,989
Net income attributable to:					
Equity holders of the Company	19,343	185,219	7,671	22,152	30,955
Non-controlling interests	21,534	4,902	13,743	931	7,034
	40,877	190,121	21,414	23,083	37,989
Net earnings per share attributable to equity holders of the Company (in NIS):					
Basic and diluted net earnings	0.19	1.83	0.08	0.22	0.31

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

NIS in thousands

	Nine months ended September 30, 2024 Unaudited	Nine months ended September 30, 2023 Unaudited	Three months ended September 30, 2024 Unaudited	Three months ended September 30, 2023 Unaudited	Year ended December 31, 2023 Audited
Net income	40,877	190,121	21,414	23,083	37,989
Other comprehensive income (net of tax effect):					
Amounts that have been reclassified or will be reclassified in the future to profit or loss, net of tax:					
Loss from cash flow hedges	(3,127)	-	(35,419)	-	(50,492)
Adjustments arising from translating financial statements of foreign operations	84,226	173,206	46,457	34,884	99,288
Group's share of net other comprehensive income of associates from adjustments arising from translating financial statements of foreign operations	3,314	6,290	2,738	879	5,109
	84,413	179,496	13,776	35,763	53,905
Amounts that will not be reclassified in the future to profit or loss, net of tax:					
Revaluation of property, plant and equipment (lands and buildings)	6,438	10,136	2,193	2,013	17,449
Remeasurement loss from defined benefit plans, net	-	-	-	-	(1,417)
	6,438	10,136	2,193	2,013	16,032
Total other comprehensive income	90,851	189,632	15,969	37,776	69,937
Total comprehensive income	131,728	379,753	37,383	60,859	107,926
Total comprehensive income attributable to:					
Equity holders of the Company	103,601	362,459	17,472	58,485	90,309
Non-controlling interests	28,127	17,294	19,911	2,374	17,617
Total	131,728	379,753	37,383	60,859	107,926

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for hedges	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2024 (audited)	57,157	1,339,895	25,013	3,359,572	20,220	373,084	(324,148)	(50,492)	(58,419)	4,741,882	208,408	4,950,290
Net income	-	-	-	19,343	-	-	-	-	-	19,343	21,534	40,877
Total other comprehensive income (loss)	-	-	-	-	-	6,438	80,947	(3,127)	-	84,258	6,593	90,851
Total comprehensive income (loss)	-	-	-	19,343	-	6,438	80,947	(3,127)	-	103,601	28,127	131,728
Cost of share-based payment	-	-	-	-	9,370	-	-	-	-	9,370	-	9,370
Exercise of share options	1	1,276	-	-	(1,276)	-	-	-	-	1	-	1
Classification from revaluation reserve in respect of sale of property, plant and equipment	-	-	-	4,668	-	(4,668)	-	-	-	-	-	-
Classification of minority interests	-	-	-	-	-	-	-	-	-	-	657	657
Balance at September 30, 2024	57,158	1,341,171	25,013	3,383,583	28,314	374,854	(243,201)	(53,619)	(58,419)	4,854,854	237,192	5,092,046

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



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2023 (audited)	57,156	1,339,288	25,013	3,530,034	10,428	355,635	(417,962)	(44,308)	4,855,284	194,290	5,049,574
Net income	-	-	-	185,219	-	-	-	-	185,219	4,902	190,121
Total other comprehensive income	-	-	-	-	-	10,136	167,104	-	177,240	12,392	189,632
Total comprehensive income	-	-	-	185,219	-	10,136	167,104	-	362,459	17,294	379,753
Transaction with non-controlling interests	-	-	-	-	-	-	-	(14,111)	(14,111)	(2,751)	(16,862)
Cost of share-based payment	-	-	-	-	6,941	-	-	-	6,941	-	6,941
Exercise of share options	-	122	-	-	(122)	-	-	-	-	-	-
Dividend to equity holders of the Company	-	-	-	(200,000)	-	-	-	-	(200,000)	-	(200,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,112)	(1,112)
Balance at September 30, 2023	57,156	1,339,410	25,013	3,515,253	17,247	365,771	(250,858)	(58,419)	5,010,573	207,721	5,218,294

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for hedges	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at July 1, 2024	57,158	1,340,685	25,013	3,371,244	25,820	377,329	(286,228)	(18,200)	(58,419)	4,834,402	217,285	5,051,687
Net income	-	-	-	7,671	-	-	-	-	-	7,671	13,743	21,414
Total other comprehensive income (loss)	-	-	-	-	-	2,193	43,027	(35,419)	-	9,801	6,168	15,969
Total comprehensive income (loss)	-	-	-	7,671	-	2,193	43,027	(35,419)	-	17,472	19,911	37,383
Exercise of share options	-	486	-	-	(486)	-	-	-	-	-	-	-
Cost of share-based payment	-	-	-	-	2,980	-	-	-	-	2,980	-	2,980
Classification from revaluation reserve in respect of sale of property, plant and equipment	-	-	-	4,668	-	(4,668)	-	-	-	-	-	-
Classification of minority interests	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Balance at September 30, 2024	57,158	1,341,171	25,013	3,383,583	28,314	374,854	(243,201)	(53,619)	(58,419)	4,854,854	237,192	5,092,046

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at July 1, 2023	57,156	1,339,348	25,013	3,493,101	13,851	363,758	(285,178)	(58,419)	4,948,630	206,459	5,155,089
Net income	-	-	-	22,152	-	-	-	-	22,152	931	23,083
Total other comprehensive income	-	-	-	-	-	2,013	34,320	-	36,333	1,443	37,776
Total comprehensive income	-	-	-	22,152	-	2,013	34,320	-	58,485	2,374	60,859
Exercise of share options	-	62	-	-	(62)	-	-	-	-	-	-
Cost of share-based payment	-	-	-	-	3,458	-	-	-	3,458	-	3,458
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,112)	(1,112)
Balance at September 30, 2023	57,156	1,339,410	25,013	3,515,253	17,247	365,771	(250,858)	(58,419)	5,010,573	207,721	5,218,294

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, audited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for hedges	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2023	57,156	1,339,288	25,013	3,530,034	10,428	355,635	(417,962)	-	(44,308)	4,855,284	194,290	5,049,574
Net income	-	-	-	30,955	-	-	-	-	-	30,955	7,034	37,989
Total other comprehensive income (loss)	-	-	-	(1,417)	-	17,449	93,814	(50,492)	-	59,354	10,583	69,937
Total comprehensive income (loss)	-	-	-	29,538	-	17,449	93,814	(50,492)	-	90,309	17,617	107,926
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	(14,111)	(14,111)	(2,751)	(16,862)
Cost of share-based payment	-	-	-	-	10,399	-	-	-	-	10,399	-	10,399
Exercise of share options	1	607	-	-	(607)	-	-	-	-	1	-	1
Dividend to equity holders of the Company	-	-	-	(200,000)	-	-	-	-	-	(200,000)	-	(200,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,117)	(1,117)
Classification of non-controlling interests	-	-	-	-	-	-	-	-	-	-	369	369
Balance at December 31, 2023	57,157	1,339,895	25,013	3,359,572	20,220	373,084	(324,148)	(50,492)	(58,419)	4,741,882	208,408	4,950,290

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS in thousands

	Nine months ended September 30, 2024 Unaudited	Nine months ended September 30, 2023 Unaudited	Three months ended September 30, 2024 Unaudited	Three months ended September 30, 2023 Unaudited	Year ended December 31, 2023 Audited
Cash flows from operating activities:					
Net income	40,877	190,121	21,414	23,083	37,989
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Adjustments to the profit or loss items:					
Group's share of earnings of associates, net	(46,821)	(41,637)	(25,024)	(3,672)	(40,189)
Impairment (appreciation) of investment property and investment property under construction, net	(70,890)	35,176	(20,750)	(3,328)	232,434
Interest costs, net	202,970	146,846	66,196	40,511	208,765
Gain from marketable securities	(32,111)	(26,169)	(9,838)	(6,424)	(38,913)
Depreciation and amortization of property, plant and equipment and intangible assets	87,010	63,034	34,475	22,729	84,625
Gain from change in designation from inventories to investment property	-	(57,776)	-	-	(57,776)
Deferred taxes, net	(100,744)	(58,970)	(40,437)	(26,796)	(128,538)
Impairment of lands for construction	-	-	-	-	33,090
Revaluation of long-term loans	67,720	60,154	29,015	14,781	58,237
Revaluation of debentures	168,978	127,996	71,951	36,881	141,181
Loss (gain) from sale and appreciation of investments	(2,102)	12	(2,103)	4	17
Change in employee benefit liabilities, net	(362)	(900)	(853)	131	(862)
Cost of share-based payment	9,370	6,941	2,980	3,458	10,399
Loss (gain) from sale of property, plant and equipment	(1,854)	(720)	(396)	(143)	(653)
Gain from remeasurement of investments in associates	-	(12,792)	-	(12,792)	(26,593)
Revaluation of long-term receivables and other investments	40,880	(20,665)	12,053	15,001	(23,288)
Gain from receivables from concession arrangements	(8,871)	(8,464)	(4,036)	(2,019)	(8,714)
Total	313,173	212,066	113,233	78,322	443,222
Changes in asset and liability items:					
Decrease (increase) in trade and unbilled receivables and in other accounts receivable	67,048	98,638	(52,347)	78,961	521,885
Decrease (increase) in inventories of buildings and retail space for sale less advances from customers and from buyers of apartments and in inventories	150,422	789	(18,188)	58,932	47,462
Increase (decrease) in subcontractors and trade payables and in other accounts payable	115,727	116,328	104,098	125,046	(28,567)
	333,197	215,755	33,563	262,939	540,780
Cash paid and received during the period for:					
Dividend received	-	1,450	-	-	9,950
Taxes paid, net	(32,261)	(44,495)	(12,441)	(15,222)	(56,809)
	(32,261)	(43,045)	(12,441)	(15,222)	(46,859)
Net cash provided by operating activities before purchase of lands for construction, net	654,986	574,897	155,769	349,122	975,132
Purchase of lands for construction	(311,456)	(807,649)	(223,033)	(26,228)	(830,661)
Proceeds from sale of lands for construction	348,000	-	60,900	-	-
Value added tax refunded (paid) on lands for construction	-	-	(59,160)	7,261	-
Net cash provided by (used in) operating activities	691,530	(232,752)	(65,524)	330,155	144,471

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS in thousands

	Nine months ended September 30, 2024 Unaudited	Nine months ended September 30, 2023 Unaudited	Three months ended September 30, 2024 Unaudited	Three months ended September 30, 2023 Unaudited	Year ended December 31, 2023 Audited
<u>Cash flows from investing activities:</u>					
Investment in investment property	(102,008)	(137,669)	(33,314)	(50,386)	(189,777)
Investment in investment property under construction	(9,572)	(398,137)	(5,494)	(4,935)	*)(408,194)
Payments on account of investment property	(3,393)	(386,341)	(3,385)	(2)	*)(386,341)
Sale of short-term investments, net	227,080	204,401	387,472	108,419	253,922
Purchase of property, plant and equipment	(501,675)	*)(653,797)	(129,058)	*)(531,598)	(1,131,504)
Interest received	28,606	10,664	7,485	2,768	16,687
Grant of long-term loans to associates, net	(46,910)	(63,555)	(15,398)	(37,975)	(75,215)
Collection of receivables from concession arrangements	12,234	11,312	4,183	3,860	15,239
Acquisition of newly consolidated company	-	(4,184)	-	(4,184)	(4,184)
Investment in associates and other investments	(628)	(190)	111	(190)	(157,399)
Proceeds from sale of property, plant and equipment and investment property	12,287	56,589	10,483	9,023	59,941
Grant of long-term loans and other investments	(20,981)	*)(99,441)	(4,521)	*)(39,009)	(84,191)
Collection of long-term loans and deposits	36,693	24,107	1,174	396	26,013
Net cash provided by (used in) investing activities	(368,267)	(1,436,241)	219,738	(543,813)	(2,065,003)
<u>Cash flows from financing activities:</u>					
Issue of debentures (net of issue expenses)	-	1,173,598	-	345,594	1,414,406
Repayment of debentures	(826,040)	(611,604)	(382,060)	(231,370)	(724,568)
Receipt of long-term loans from banks and others	1,227,076	1,711,061	739,222	360,763	2,514,309
Repayment of long-term loans from banks and others	(590,118)	(284,111)	(156,999)	(44,254)	(445,248)
Short-term credit from banks and others, net	(102,864)	324,090	(113,900)	39,058	309,195
Repayment of lease liabilities	(29,367)	(20,812)	(9,762)	(8,186)	(29,214)
Interest paid	(413,830)	(310,917)	(133,708)	(95,747)	(418,116)
Proceeds from exercise of options	1	-	-	-	1
Dividend to equity holders of the Company	-	(200,000)	-	-	(200,000)
Dividend to non-controlling interests	-	(1,112)	-	(1,112)	(1,117)
Transaction with non-controlling interests	226	(16,862)	(4)	-	(16,493)
Net cash provided by (used in) financing activities	(734,916)	1,763,331	(57,211)	364,746	2,403,155
Translation differences of balances of cash and cash equivalents	5,055	6,983	1,452	1,221	4,823
Increase (decrease) in cash and cash equivalents	(406,598)	101,321	98,455	152,309	487,446
Cash and cash equivalents at the beginning of the period	1,409,337	921,891	904,284	870,903	921,891
Cash and cash equivalents at the end of the period	1,002,739	1,023,212	1,002,739	1,023,212	1,409,337

\*) Reclassified.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

NIS in thousands

	Nine months ended September 30, 2024 Unaudited	Nine months ended September 30, 2023 Unaudited	Three months ended September 30, 2024 Unaudited	Three months ended September 30, 2023 Unaudited	Year ended December 31, 2023 Audited
<u>Significant non-cash transactions:</u>					
Right-of-use asset recognized against lease liability	15,912	114,765	4,655	3,811	207,234

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

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1:- GENERAL

- a. These financial statements have been prepared in a condensed format as of September 30, 2024 and for the nine and three months periods then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2023 and for the year then ended and accompanying notes ("annual consolidated financial statements").
- b. The consequences of the Swords of Iron war:

In keeping with the matter discussed in Note 1 to the annual consolidated financial statements regarding the consequences of the "Swords of Iron" war, the following is the effect of the war on the Company's business activities in the reporting period:

The consequences of Hamas organization's combined attack on October 7, 2023 against the State of Israel, particularly targeting the settlements in the Western Negev, resulted in the Israeli Government declaring the Swords of Iron war ("the war") which led to an escalation and ongoing clashes with Hezbollah organization in the north that continued throughout the first nine months of 2024. As of the date of approval of the financial statements, the ongoing consequences include a ground operation in southern Lebanon that commenced on September 30, 2024. Also tensions with Iran have intensified, marked by missile strikes from Iranian territory and subsequent Israeli counterattacks. Concurrently, domestic protests have grown more fervent, fueled by the ongoing war and the unresolved issue of unreturned hostages.

The ongoing war, with its uncertain conclusion and consequences, had impacted the Israeli market, which was already struggling with multiple challenges before the war, including inflationary pressures, high interest rate environment, rising living costs, a weakening capital market, an expanding budget deficit and geopolitical tensions. Further, in August 2024, the international rating agency, Fitch, announced that it has downgraded the State of Israel's rating from A+ to A- with a negative outlook and in September 2024, the international rating agency, Moody's, announced that it has downgraded the State of Israel's credit rating by two notches from A2 to BAA1 with a negative outlook. After the reporting date, on October 1, 2024, the international rating agency, S&P, decided to downgrade the State of Israel's credit rating for the second time this year from A+ to A with a negative outlook.

In addition, the Company has experienced a decline in business activity in certain segments, particularly construction, due to the war, primarily because of labor shortages and the difficulties in finding adequate replacements for Palestinian workers, who are still prohibited from entering Israel. Additionally, the number of foreign workers arriving in Israel is negligible. The Company has implemented various adjustments to maintain construction activity at a level of scope and profitability like previous achievements. However, the shortage of workers and the rising construction costs, including of the respective suppliers and subcontractors, could potentially result in construction companies, including the Company, failing to meet deadlines. Currently, the State's proposed compensation program does not provide an adequate solution for the segment and the Company since it focuses on smaller performing companies and offers limited aid.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1:- GENERAL (Cont.)**

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As the construction segment experiences a slowdown, it naturally impacts the Group's industrial segment, which is heavily dependent on construction activities. Additionally, the war could result in higher construction costs, among others, due to the crisis in the relations with Turkey. Should this situation continue, the Company might need to seek other options which could lead to higher construction costs and the need for replacements for some products used in its industrial operations. It is clarified that, at present, the boycott is unlikely to significantly affect the Company's operating results. After the reporting date, the Turkish government made the decision to cut off diplomatic ties with Israel, a move that could potentially decrease trade between the two countries even further; however the Company believes this is unlikely to significantly affect its business results.

As for the activity in the development segment, particularly the sale of apartments, there has been a certain recovery resulting in an increase in apartment sales, despite the current high interest rate environment in the market and ongoing inflation (the index for the first nine months of 2024 increased by 3.4% and for October 2024 by 0.5%).

As for the Company's activity in the income-producing property market, stability has been maintained in terms of high occupancy rates for the Company's income-producing properties and rent collection (any changes observed have been negligible).

As of the date of approval of the financial statements, the Group is unable to determine the extent of any future implications of the war, such as potential escalation, on the scope of its operations and business results, among others, given the extreme volatility in the markets, uncertainty regarding the duration and intensity of the war, the potential ramifications on the Company's operations, the Israeli market and any other measures that may be taken by the Israeli Government. Nonetheless, with respect to its financial condition, the Company is stable and its financial stability in the future, its ability to meet financial covenants, fulfill contracts it signed and carrying out its ongoing ordinary business operations are not at risk due to its steady cash flows, order backlog, sufficient cash reserves and access to financing facilities. As demonstrated by the operating income of nearly all operating segments. It is indicated that as of September 30, 2024, the Group's unutilized credit facilities total approximately NIS 1.2 billion. Despite this, the continued damage to the capital markets, such as Israel's credit rating being downgraded by international rating agencies and entering a long recession may impact market liquidity, companies' ability to secure favorable borrowing terms and their access to additional sources of borrowing in the market. The Group regularly monitors and evaluates the developments of the war and examines its exposure and effect on its operations and will respond with actions as required.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

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- a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in 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 significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below.

- b. Initial application of amendments to existing accounting standards:

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

In January 2020, the IASB issued an amendment to IAS 1 regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only financial covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.
- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are applied retrospectively for annual periods beginning on January 1, 2024.

The Amendments did not have a material impact on the Company's interim consolidated financial statements.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures":

In May 2023, the IASB issued amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures" ("the Amendments") to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the Amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The Amendments are 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. The above Amendments are not expected to have a material impact on the disclosures of supplier finance arrangements in the Company's annual consolidated financial statements.

- c. Disclosure of new standards in the period prior to their adoption:

*IFRS 18, "Presentation and Disclosure in Financial Statements":*

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

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

**NOTE 3:- FINANCIAL INSTRUMENTS***Fair value:*

The following table demonstrates the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value or whose carrying amount is not an approximation of fair value:

	Carrying amount September 30, 2024 Unaudited	Carrying amount September 30, 2023 Unaudited	Carrying amount December 31, 2023 Unaudited	Fair value September 30, 2024 Unaudited	Fair value September 30, 2023 Unaudited	Fair value December 31, 2023 Audited
Financial assets:						
Receivables from concession arrangements (1)	256,389	263,429	259,753	242,597	258,097	258,460
Financial liabilities:						
Loans with fixed interest (1)	3,136,424	3,225,948	3,098,362	2,905,801	2,966,991	2,970,320
Debentures (2)	5,382,602	5,902,451	6,047,002	5,237,597	5,655,462	5,927,051
	8,519,026	9,128,399	9,145,364	8,143,398	8,622,453	8,897,371

- (1) The fair value of receivables from concession arrangements and long-term loans received with fixed interest is based on the computation of the present value of cash flows using standard interest rate available for loans with similar terms. The fair value measurement is classified at Level 3 of the fair value hierarchy.
- (2) The fair value of debentures is based on quoted prices in active markets at the reporting date. The fair value measurement is classified at Level 1 of the fair value hierarchy. The carrying amount includes accrued interest.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- SEGMENT REPORTING**

## a. General:

As stated in the annual consolidated financial statements, the Group has the following operating segments: construction and infrastructures works in Israel, industries, rental housing, concessions, foreign operations through Ashtrom International, renewable energy, investment property and property development through Ashtrom Properties and residential real estate development in Israel through Ashdar.

The data of the operating segments of industries and of investment property and property development through Ashtrom Properties also include the Company's proportionate share of revenues and results of associates with the same activity as the segment in which they operate, for the purpose of adjusting the reported data to management approach.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 4:- SEGMENT REPORTING (Cont.)

## b. Reporting on operating segments:

Nine months ended September 30, 2024 (NIS in thousands, unaudited):

	Construction and infra- structures in Israel	Industries	Rental housing	Concessions	Foreign operations - Ashtrom International	Renewable energy	Investment property and property development - Ashtrom Properties	Residential real estate development in Israel - Ashdar	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	1,545,990	633,632	91,690	13,904	242,881	15,280	340,230	575,534	3,459,141	-	(189,059)	3,270,082
Intersegment revenues	226,925	102,517	-	-	-	2,965	1,345	-	333,752	(332,338)	(1,414)	-
Total revenues	1,772,915	736,149	91,690	13,904	242,881	18,245	341,575	575,534	3,792,893	(332,338)	(190,473)	3,270,082
Cost of revenues	1,596,078	623,416	33,346	11,187	168,053	7,416	96,121	438,817	2,974,434	(337,528)	(89,096)	2,547,810
Gross profit	176,837	112,733	58,344	2,717	74,828	10,829	245,454	136,717	818,459	5,190	(101,377)	722,272
Appreciation (impairment) of investment property	-	-	10,758	-	(788)	-	79,327	-	89,297	2,589	(20,996)	70,890
Selling and marketing expenses	1,855	56,403	6,114	-	3,299	10	239	10,119	78,039	-	(767)	77,272
General and administrative expenses	95,642	40,295	13,104	6,635	30,573	12,422	65,078	36,495	300,244	665	(12,755)	288,154
Net income from tax credits	-	-	-	-	-	7,597	-	-	7,597	-	-	7,597
Operating income (loss)	79,340	16,035	49,884	(3,918)	40,168	5,994	259,464	90,103	537,070	7,114	(108,851)	435,333
Earnings of associates												46,821
Other expenses												10,246
Operating income												471,908
Finance expenses, net												468,710
Income before taxes on income												3,198

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 4:- SEGMENT REPORTING (Cont.)

Nine months ended September 30, 2023 (NIS in thousands, unaudited):

	Construction and infra- structures in		Rental		Foreign operations -		Investment property and property development	Residential real estate development				
	Israel	Industries	housing	Concessions	International	Renewable energy	- Ashtrom Properties	in Israel - Ashdar	Total before adjustments	Adjustments	- associates	Total
Revenues from external customers	1,640,564	710,564	107,301	13,196	285,216	316	315,740	918,244	3,991,141	-	(188,090)	3,803,051
Intersegment revenues	479,731	159,234	-	-	-	2,803	-	-	641,768	(640,534)	(1,234)	-
Total revenues	2,120,295	869,798	107,301	13,196	285,216	3,119	315,740	918,244	4,632,909	(640,534)	(189,324)	3,803,051
Cost of revenues	1,917,787	743,030	59,155	10,932	213,539	2,819	83,215	723,168	3,753,645	(631,168)	(104,298)	3,018,179
Gross profit	202,508	126,768	48,146	2,264	71,677	300	232,525	195,076	879,264	(9,366)	(85,026)	784,872
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	-	55,804	55,804	1,972	-	57,776
Appreciation (impairment) of investment property	-	-	(28,254)	-	2,022	-	15,217	(76)	(11,091)	9,219	(33,304)	(35,176)
Selling and marketing expenses	2,826	57,945	1,255	-	2,683	96	502	12,631	77,938	-	(1,712)	76,226
General and administrative expenses	97,904	40,166	10,189	6,773	32,620	9,603	62,304	38,328	297,887	3,967	(10,686)	291,168
Operating income (loss)	101,778	28,657	8,448	(4,509)	38,396	(9,399)	184,936	199,845	548,152	(2,142)	(105,932)	440,078
Earnings of associates												41,637
Other income												14,569
Operating income												496,284
Finance expenses, net												279,553
Income before taxes on income												216,731

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

Three months ended September 30, 2024 (NIS in thousands, unaudited):

	Construction and infra- structures in		Rental		Foreign operations -		Investment property and property development	Residential real estate development				
	Israel	Industries	housing	Concessions	Ashtrom International	Renewable energy	- Ashtrom Properties	in Israel - Ashdar	Total before adjustments	Adjustments	- associates	Total
Revenues from external customers	533,223	245,116	25,563	4,651	73,955	15,188	135,196	145,725	1,178,617	-	(88,154)	1,090,463
Intersegment revenues	64,524	37,277	-	-	-	1,386	392	-	103,579	(105,040)	1,461	-
Total revenues	597,747	282,393	25,563	4,651	73,955	16,574	135,588	145,725	1,282,196	(105,040)	(86,693)	1,090,463
Cost of revenues	531,630	236,520	4,749	3,863	45,602	5,721	42,440	107,477	978,002	(105,144)	(43,976)	828,882
Gross profit	66,117	45,873	20,814	788	28,353	10,853	93,148	38,248	304,194	104	(42,717)	261,581
Appreciation (impairment) of investment property	-	-	(6,186)	-	(422)	-	36,350	-	29,742	638	(9,630)	20,750
Selling and marketing expenses	560	19,330	2,253	-	1,189	-	-	3,415	26,747	-	(256)	26,491
General and administrative expenses	33,490	13,345	4,582	2,320	10,608	4,005	22,418	11,545	102,313	209	(5,295)	97,227
Net income from tax credits	-	-	-	-	-	7,597	-	-	7,597	-	-	7,597
Operating income (loss)	32,067	13,198	7,793	(1,532)	16,134	14,445	107,080	23,288	212,473	533	(46,796)	166,210
Earnings of associates												25,024
Other expenses												5,644
Operating income												185,590
Finance expenses, net												184,298
Income before taxes on income												1,292



## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 4:- SEGMENT REPORTING (Cont.)

Three months ended September 30, 2023 (NIS in thousands, unaudited):

	Construction and infra- structures in		Rental		Foreign operations -	Renewable	Investment property and property development	Residential real estate development	Total before	Adjustments	Adjustments	Total
	Israel	Industries	housing	Concessions	Ashtrom International	energy	- Ashtrom Properties	in Israel - Ashdar	adjustments	Adjustments	- associates	
Revenues from external customers	597,121	267,682	34,193	4,450	93,113	230	107,095	238,894	1,342,778	-	(54,738)	1,288,040
Intersegment revenues	119,839	54,507	-	-	-	1,023	-	-	175,369	(174,912)	(457)	-
Total revenues	716,960	322,189	34,193	4,450	93,113	1,253	107,095	238,894	1,518,147	(174,912)	(55,195)	1,288,040
Cost of revenues	646,951	272,398	18,063	3,794	69,190	1,127	29,564	191,696	1,232,783	(174,749)	(26,507)	1,031,527
Gross profit	70,009	49,791	16,130	656	23,923	126	77,531	47,198	285,364	(163)	(28,688)	256,513
Appreciation (impairment) of investment property	-	-	(415)	-	50	-	(3,308)	(76)	(3,749)	980	6,097	3,328
Selling and marketing expenses	673	21,586	303	-	1,051	72	180	3,783	27,648	-	(365)	27,283
General and administrative expenses	36,212	14,506	3,447	2,184	10,441	2,655	20,315	12,307	102,067	3,428	(3,775)	101,720
Operating income (loss)	33,124	13,699	11,965	(1,528)	12,481	(2,601)	53,728	31,032	151,900	(2,611)	(18,451)	130,838
Earnings of associates												3,672
Other income												12,504
Operating income												147,014
Finance expenses, net												118,176
Income before taxes on income												28,838

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

Year ended December 31, 2023 (NIS in thousands, audited):

	Construction and infra- structures in		Rental		Foreign operations -		Investment property and property development	Residential real estate development				
	Israel	Industries	housing	Concessions	Ashtrom International	Renewable energy	- Ashtrom Properties	in Israel - Ashdar	Total before adjustments	Adjustments	- associates	Total
Revenues from external customers	2,113,627	870,222	144,158	17,848	377,686	537	419,649	1,102,853	5,046,580	-	(227,660)	4,818,920
Intersegment revenues	572,231	192,726	-	-	-	3,016	2,394	-	770,367	(766,963)	(3,404)	-
Total revenues	2,685,858	1,062,948	144,158	17,848	377,686	3,553	422,043	1,102,853	5,816,947	(766,963)	(231,064)	4,818,920
Cost of revenues	2,432,116	911,177	78,792	14,456	282,149	3,140	107,298	874,805	4,703,933	(753,037)	(122,522)	3,828,374
Gross profit	253,742	151,771	65,366	3,392	95,537	413	314,745	228,048	1,113,014	(13,926)	(108,542)	990,546
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	-	55,804	55,804	1,972	-	57,776
Appreciation (impairment) of investment property	-	-	(64,697)	-	2,441	-	(165,635)	(6,396)	(234,287)	10,308	(8,455)	(232,434)
Selling and marketing expenses	3,423	78,034	1,585	-	3,759	96	629	15,936	103,462	-	(2,001)	101,461
General and administrative expenses	126,529	54,374	14,650	8,705	44,905	13,240	81,196	53,406	397,005	3,277	(12,160)	388,122
Operating income (loss)	123,790	19,363	(15,566)	(5,313)	49,314	(12,923)	67,285	208,114	434,064	(4,923)	(102,836)	326,305
Earnings of associates												40,189
Other expenses												(14,390)
Operating income												352,104
Finance expenses, net												350,089
Income before taxes on income												2,015

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 5:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD**

- a. During Q1 of 2024, the construction of the project for residential units and retail space for rent in Kiryat HaYovel, Jerusalem, was completed and it began to be rented. As a result, the property valued at approximately NIS 991 million was classified from investment property under construction to investment property.
- b. On April 21, 2024, Maalot issued a rating report in which it reaffirmed the ilA/Stable rating for the Company and the ilA for the debentures.
- c. On April 15, 2024, Ashdar was informed that it won, together with a third party, in equal parts, the ILA and the Tel-Aviv Municipality tender for leasing real estate in a complex known as the "Maccabi Jaffa" complex B in Tel-Aviv. The plots in the tender are designated for saturated construction of 412 residential units for sale on the free market and retail space with a main area of some 1,400 sq.m. in consideration of approximately NIS 378,476 thousand plus VAT and development costs of approximately NIS 7,530 thousand (including VAT). As of September 30, 2024, the transaction was finalized and the full consideration was paid.

To finance the transaction, Ashdar and its partner signed a financing agreement with a bank, which included providing approximately NIS 305 million (Ashdar's share is 50%) for the purchase of real estate rights.

- d. In keeping with the matter discussed in Note 28c(3) to the annual consolidated financial statements regarding a letter of claim amounting to approximately NIS 72 million that had been filed against the Company as part of an arbitration proceeding between the Company and the representatives of a group of buyers in Tel-Aviv in which the Company acted as construction contractor, on May 1, 2024, in the framework of the above arbitration proceeding, an interim award was granted dismissing the claims of the group of buyers for "collective damages", except for compensation of NIS 1.7 million for distress as a comprehensive damage to all plaintiffs and, additionally, other claims made by the plaintiffs were also dismissed in other interim awards and/or resolved through inspection repairs in immaterial amounts for the Company. It is also indicated that the upcoming phase of the arbitration process was set to address the Company's arguments regarding its claims against the plaintiffs as well as the expenses incurred by the parties, all of which are in immaterial amounts for the Company.
- e. In keeping with the matter discussed in Note 9b(1) to the annual consolidated financial statements, on May 9, 2024, Ashdar signed an agreement to assign all its rights and obligations under a lease agreement with the Israel Lands Authority ("ILA") for land in Galil Yam neighborhood, Herzliya, to a third party that is unrelated to the Company ("the buyer"). According to the agreement, Ashdar will receive a total of approximately NIS 322,483 thousand and the buyer will refund Ashdar development costs of approximately NIS 25,517 thousand that were paid to the ILA by June 30, 2024.

Shortly before the date of signing the agreement, the buyer deposited NIS 34,800 thousand with a trustee. On June 30, 2024, the full consideration was received and, simultaneously, the loan for the land totaling approximately NIS 246,553 thousand was repaid and the title to the real estate was passed to the buyer.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)**

- f. On July 2, 2024, the Company's Board approved a private placement of 545,040 unlisted options which are exercisable into 545,040 Ordinary shares of the Company of NIS 0.01 par value each to three officers in the Company and in its subsidiaries. On August 25, 2024, the Company's Board approved a private placement of 167,564 unlisted options which are exercisable into 167,564 Ordinary shares of the Company of NIS 0.01 par value each to another officer in the Company. The officers will be entitled to exercise the options in four equal annual portions starting from the end of the first anniversary of the grant date, with the exercise price determined per share. The options are subject to certain adjustments in the event of dividend distribution, bonus shares and rights issue. Options that are not exercised into shares expire after five years from the date of allocation. The options will be exercised based on the partial exercise mechanism. According to an independent external appraiser, the fair value of the options at that date was approximately NIS 12 million using the Black & Scholes model based on the conditions and inputs under which they were granted. Accordingly, starting from Q3 of 2024, the Company recognizes salary expenses each period based on the relative portion of said value against reserve for share-based payment. The parameters underlying the fair value calculation of each option for the first three optionees based on this model were: share price of NIS 42.71, exercise price of NIS 48.07, risk-free interest rate of 4.54% and standard deviation of 40.70%. The parameters underlying the fair value calculation of each option for the other optionee based on this model were: share price of NIS 46.2, exercise price of NIS 51.34, risk-free interest rate of 4.32% and standard deviation of 40.76%.
- g. On July 2, 2024, Ashdar was served with a claim amounting to approximately NIS 56 million which was filed by contractors with whom Ashdar had contracted for a project in the Neve Monson neighborhood in Yehud Monoson where Ashdar was the developer responsible for the construction of five residential buildings. The primary grounds of the claim consist of arguments concerning Ashdar's alleged liability for outstanding payments to contractors for contractual work, including additional tasks allegedly performed by the contractors on the project and additional expenses incurred by the contractors as a result of project delays for which they claim Ashdar is responsible. At present, Ashdar is studying the statement of claim, however, based on a preliminary review of the statement of claim and according to the information available to it, Ashdar believes that the plaintiffs' arguments lack merit and are likely to be dismissed. Notwithstanding the above, Ashdar plans to file a counterclaim against the contractors for substantial damages resulting from their failures during project execution, among others, for the significant delays in project completion. Due to the preliminary stage of the proceeding, according to Ashdar's legal counsel, it is not possible to determine the likelihood of the claim being accepted and, accordingly, no provision has been made in the financial statements in respect thereof.
- h. On August 1, 2024, Ashdar made a full and final redemption of its debentures in accordance with their redemption schedules and thus ceased to be a reporting entity and has no securities held by the public.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)**

- i. In keeping with the matter discussed in Note 16e to the annual consolidated financial statements regarding the establishment of Tierra Bonita renewable energy project in the U.S., the project began generating revenues in Q3 of 2024 and in August 2024 the project's connection to the transmission grid was completed, commissioning tests were finalized and full operation commenced. After the reporting date, on October 7, 2024, the Company obtained the required approvals that were a suspending condition for the project to move into the commercial operation phase, as outlined in the PPA agreement signed with CPS Energy, the municipal electric utility of San Antonio with an AA2 rating from Moody's. According to the agreement, CPS committed to buying approximately 60% of the electricity generated by the project (equivalent to around 240 MW installed capacity (MWDC)) along with the corresponding environmental certificates (REC's) at a fixed price for a duration of 20 years. The project is expected to sell the balance of the electricity generated, approximately 160 MW installed capacity (MWDC) along with the respective environmental certificates (REC's) on the open market.

It is clarified that the achievement of this milestone fulfills a suspending condition, as outlined in the agreement with a group of lenders financing the project, as mentioned in the aforementioned note, which allows for the extension of a \$ 270 million loan that was initially granted for the project's construction phase by the entities financing the project for an additional 5 years during the operation phase. As of September 30, 2024, the carrying amount of the loan received under the agreement totals approximately \$ 254 million (approximately NIS 942 million) (as of December 31, 2023 – approximately \$ 145 million (approximately NIS 520 million)).

However, as of the date of approval of the financial statements, the regulatory procedures in connection with the project have not yet been completed.

- j. In August 2024, Ashdar received a loan of NIS 250 million for five years from an institutional entity.
- k. After the reporting date, on October 22, 2024, a wholly-owned subsidiary of Ashtrom Properties completed the acquisition of an office building in Leeds, England, for approximately £ 83 million (approximately NIS 413 million) (including related purchase costs). Ashtrom Properties used its own resources and interim short-term bank financing of approximately £ 50.7 million (approximately NIS 252 million) to finance the purchase of the property, until finalizing bank financing from a local financial institution in England.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 6:- DISCLOSURE OF SUMMARIZED INFORMATION OF AN ASSOCIATE ACCOUNTED FOR AT EQUITY**

Summarized information from the statement of financial position and the statement of profit or loss of an associate – Hutzot HaMifratz Ltd. – in NIS in thousands:

	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>December 31, 2023</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
Current assets	35,483	22,725	17,894
Non-current assets	1,555,595	1,483,713	1,505,672
Current liabilities	32,954	24,536	30,198
Non-current liabilities	603,982	584,865	586,665
Equity attributable to equity holders of the Company	954,142	897,037	906,703
Share of equity in the associate	50%	50%	50%
Excess cost	7,002	7,002	7,002
Carrying amount of investment in associate	484,073	455,521	460,354

	<b>Nine months ended September 30, 2024</b>	<b>Nine months ended September 30, 2023</b>	<b>Three months ended September 30, 2024</b>	<b>Three months ended September 30, 2023</b>	<b>Year ended December 31, 2023</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
Revenues	64,508	61,863	22,421	21,323	79,489
Gross profit	57,084	54,334	19,977	18,935	69,462
Appreciation of investment property	24,499	43,898	10,369	(222)	45,162
Net income	47,439	60,703	17,445	9,803	70,369
Share of results in the associate	50%	50%	50%	50%	50%
Adjustments for excess cost	-	-	-	-	-
Company's share of earnings of associate	23,720	30,352	8,723	4,902	35,185

The Company did not disclose the financial statements of Hutzot HaMifratz Ltd. because they are immaterial with respect to the Company's consolidated financial statements and do not provide significant additional information about this company. Further, the Company did not disclose the financial statements of other associates and did not provide information about them because they are immaterial with respect to the Company's interim consolidated financial statements.

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