

ASHTROM GROUP LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

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AUDITORS' REPORT

To the Shareholders of

ASHTROM GROUP LTD.

We have audited the consolidated statements of financial position of Ashtrom Group Ltd. and subsidiaries (collectively, "the Company") as of December 31, 2024 and 2023, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of subsidiaries, whose assets constitute approximately 15% and 14% of total consolidated assets as of December 31, 2024 and 2023, respectively, and whose revenues constitute approximately 10%, 9% and 6% of total consolidated revenues for the years ended December 31, 2024, 2023 and 2022, respectively. Furthermore, we did not audit the financial statements of companies accounted for at equity the investment in which amounted to approximately NIS 67 million and NIS 64 million as of December 31, 2024 and 2023, respectively, and the Company's share in their earnings amounted to approximately NIS 5 million, NIS 2 million and NIS 5 million for the years ended December 31, 2024, 2023 and 2022, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2024, in conformity with IFRS Accounting Standards and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters

The key audit matters described below were those which were communicated to the Company's board of directors, or should have been communicated to them and which, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) relating to, or potentially relating to, significant accounts or disclosures in the financial statements or (2) involving our judgment that was especially challenging, subjective or complex. These matters were addressed as part of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. In communicating these matters below, we do not change our opinion on the consolidated financial statements as a whole, nor do we provide through such communication a separate opinion on these matters or the accounts or disclosures they relate to.

Fair value of investment property

As described in Notes 2r, 2bb(2), 10 and 13 to the consolidated financial statements, the Company's investment property and investment property under construction are measured at fair value and revaluation gains and losses are recognized in the statement of profit or loss. As of December 31, 2024, the Company's investment property (including investment property under construction) amounted to NIS 9,377 million, accounting for about 43% of the Company's assets. The loss (before taxes) from revaluation of investment property (including gain from change in designation from inventories to investment property) for the year ended December 31, 2024 amounted to NIS 170 million.

The fair value of investment property was measured as follows:

1. The fair value of buildings for rent is mainly estimated using the income capitalization approach or the discounted cash flows (DCF) approach based on the expected future cash flows from the properties using discount rates that consider the inherit risk of the properties. The principal assumptions used in the valuations include the amount of rental fees paid by region (in terms of sq.m.), expected change in monthly rental fees, periodic maintenance costs, occupancy rates, potential contract renewal/extension, comparable transactions in similar properties and discount rates. The fair value of residential projects for rent is based on the expected future cash inflow from the completed project and the scrap value is estimated using the comparison approach. When estimating the expected cash flows from the property, assumptions are also made regarding the real increase in rental fees and the value of the apartments.
2. The fair value of investment property under construction/real estate is determined using the comparison approach based on comparable transactions in real estate transactions with adjustments to the specific property features and/or the residual value method according to which the appraiser estimates the value of a property after development and construction less development costs and unrealized entrepreneurial profit. The principal assumptions used in the valuations include the estimate of the value of land by built sq.m. under the urban planning scheme, the estimate of betterment tax, the amortization schedule of the estimated delay in availability, size and complexity, joint possession of land and the estimate of construction costs including costs of public tasks, preservation etc.

The valuation of investment property requires those charged with corporate governance and management to use judgement in making estimates and evaluations while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. In measuring value in use, the Company relies on significant estimates that involve uncertainty and subjective assumptions that cannot be observed in the market (Level 3).

Changes in these estimates and assumptions are likely to have a material impact on the estimated fair value of investment property and investment property under construction disclosed in the Company's financial statements. We identified this as a key audit matter due to the extensive use of judgments and estimates by management and those charged with corporate governance.

Auditing the fair value of investment property requires the auditor to exercise judgement when assessing how management established the adequacy of assumptions and estimates used to measure the fair value of investment property.

The audit procedures performed to address this key audit matters

- Understanding the internal control environment for determining the procedure and the fair value of investment property and investment property under construction and auditing the effectiveness of internal controls for fair value measurement.
- Evaluating the competence and independence of the appraisers hired by the Company.
- Analyzing the key assumptions and matters that involve extensive judgment and understanding the methods used by the Company's appraisers for fair value measurement.
- Examining on a test basis the accuracy and completeness of the information delivered by the Company to the appraisers.
- Assessing the reasonableness of the basic assumptions applied in the valuations on a test basis which include value per sq.m., expected rent, expected maintenance expenses, scrap value, cost estimates, discount rates and comparing them to the previous year's results.
- Examining the proper application of the methodology used to measure fair value and ensuring that it aligns with the characteristics of the property being evaluated.
- Maintaining direct communication with the Company's management and its appraisers.
- Examining the proper application of assumptions in fair value measurement and testing the calculations used by the appraisers.

We also evaluated whether the valuation methods and assumptions used by the appraisers were adequately disclosed.

Revenue recognition from real estate development

The recognition of revenue from real estate development in the various projects and the costs associated with them is a significant issue in the Company's consolidated financial statements, based on the materiality and the judgment of management and those charged with corporate governance involved in this issue. The complexity and judgment are related to the estimation of the expected cost of completing the project which is used by the Company to calculate revenue recognition. Due to the complexity of the estimates used in the calculation, as described in Note 21 and bb(2) to the consolidated financial statements, we identified this as a key audit matter.

The audit procedures performed in response to the key audit matters

We gained an understanding and evaluated the central internal controls and the information systems (IT) used to perform the calculations related to the recognition of revenue from real estate development projects and the costs associated with them. These controls included controls related to policies and processes to estimate the expected costs of completing the project and the provision used by the Company to calculate revenue recognition. We also tested the operating effectiveness of these controls.

We performed detailed procedures on significant projects separately as well as in addition to a sample of other projects. These procedures included examining the assumptions and estimates applied by management and verifying the transactions by audit evidence, which included contracts, modifications to contracts, documents and agreements with contractors. We also examined estimates of the costs of completing the sampled projects based on their budget reports and performed an independent calculation of the percentage of completion. Additionally, we assessed the adequacy of the disclosures in the Group's consolidated financial statements.

Revenue recognition from projects in process

The recognition of revenue from projects in process is a significant issue in the Company's consolidated financial statements, based on the materiality and the judgment of management and those charged with corporate governance involved in this issue. The complexity and judgment are related to the estimation of the expected cost of completing the project, the expected revenues from the project and the calculation of the percentage of completion which is used by the Company to calculate revenue recognition. Due to the complexity of the estimates used in the calculation, as described in Note 21 and bb(2) to the consolidated financial statements, we identified this as a key audit matter.

The audit procedures performed in response to the key audit matters

We gained an understanding and evaluated the central internal controls in connection with a review of the Company's estimates of the expected revenues from the project and the expected costs of completing the project. These controls included controls related to policies and processes within the Company in connection with the estimation of the expected revenues and expenses for various projects. Moreover, we examined a sample of project budget reports, visited several of the Company's sites and received an overview of the project status from the project manager and compared it to the budget reports. We tested the Company's estimates against the contract with the customer, changes and additions to the scope of work, calculation of price increases, examination of actual payment against partial billing, agreements with contractors and partial billing of contractors. In addition, we conducted, on a test basis, a retrospective assessment of the anticipated historical estimates to determine whether management assumptions on which the Company relied in previous periods were reasonable. Additionally, we assessed the adequacy of the disclosures in the Group's consolidated financial statements.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2024, and our report dated March 25, 2025, included an unqualified opinion on the effective maintenance of those components.

Tel-Aviv, Israel
March 25, 2025

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

AUDITORS' REPORT

To the Shareholders of

ASHTROM GROUP LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Ashtrom Group Ltd. and subsidiaries (collectively - "the Company") as of December 31, 2024. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" as amended ("Auditing Standard (Israel) 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls; (2) controls over the process of revenue recognition from projects in process; (3) controls over the process of revenues from sale of apartments, revenues from sale of industrial products and revenues from lease of investment property; (4) controls over determining the fair value of investment property and investment property under construction (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and, therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and, accordingly, our opinion does not consider any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2024.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 and our report dated March 25, 2025 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 25, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
NIS in thousands

As of December 31,	Note	2024	2023
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	938,321	1,409,337
Short-term investments	4	377,657	724,401
Trade and unbilled receivables	5	998,729	1,025,418
Other accounts receivable	6	213,415	217,652
Inventories of buildings and retail space for sale	7	1,499,013	1,379,835
Inventories	8	179,766	174,941
Total current assets		4,206,901	4,931,584
NON-CURRENT ASSETS:			
Lands for construction	9	1,831,910	1,945,370
Investment property under construction	10	594,870	1,616,380
Receivables from concession arrangements	11	234,258	243,542
Payments on account of purchase of investment property	12	494,761	476,597
Investment property	13	8,782,040	7,120,408
Associates	14	2,129,950	1,914,261
Other receivables and investments	15	302,039	337,728
Property, plant and equipment, net	16	3,125,834	2,653,230
Intangible assets and goodwill	17	79,028	86,139
Deferred taxes	27	50,696	51,520
Total non-current assets		17,625,386	16,445,175
Total assets		21,832,287	21,376,759

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
NIS in thousands

As of December 31,	Note	2024	2023
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	18	917,795	758,733
Loans from institutional entities	18	400,000	550,000
Current maturities of non-current liabilities	19	1,208,795	1,637,637
Subcontractors and trade payables	20	972,936	931,481
Liability for combination transactions	21	402,625	116,452
Advances from customers and buyers of apartments and real estate	22	124,564	196,035
Other accounts payable	23	414,205	413,223
Total current liabilities		4,440,920	4,603,561
NON-CURRENT LIABILITIES:			
Loans from banks	24	4,529,386	4,014,799
Loans from institutional entities	24	2,428,493	1,979,791
Debentures	24	4,617,580	4,973,421
Lease liabilities	24	251,054	291,527
Other liabilities	24	63,771	151,071
Employee benefit liabilities	26	18,563	21,475
Deferred taxes	27	347,237	390,824
Total non-current liabilities		12,256,084	11,822,908
Total liabilities		16,697,004	16,426,469
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
	29		
Share capital		57,158	57,157
Share premium		1,342,445	1,339,895
Retained earnings		3,535,396	3,359,572
Reserves		(30,110)	(14,742)
Total		4,904,889	4,741,882
Non-controlling interests		230,394	208,408
Total equity		5,135,283	4,950,290
Total liabilities and equity		21,832,287	21,376,759

The accompanying notes are an integral part of the 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: March 25, 2025

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
NIS in thousands (except per share data)

Year ended December 31,	Note	2024	2023	2022
Revenues	30	4,459,489	4,818,920	5,152,913
Cost of revenues	30	3,465,576	3,828,374	4,049,999
Gross profit		993,913	990,546	1,102,914
Gain from change in designation from inventories to investment property	13c	-	57,776	105,683
Appreciation (impairment) of investment property, net	10, 13	169,725	(232,434)	565,467
		1,163,638	815,888	1,774,064
Selling and marketing expenses	31a	106,708	101,461	88,410
General and administrative expenses	31b	397,710	388,122	352,144
Group's share of earnings of associates, net	14b	114,050	40,189	125,643
Net income from tax credits	16e	18,735	-	-
Other income (expenses), net	31c	(28,401)	(14,390)	11,213
Operating income		763,604	352,104	1,470,366
Finance expenses	31d	(681,728)	(512,133)	(445,565)
Finance income	31d	139,187	162,044	96,253
Income before taxes on income (tax benefit)		221,063	2,015	1,121,054
Taxes on income (tax benefit)	27d	19,711	(35,974)	157,091
Net income		201,352	37,989	963,963
Net income attributable to:				
Equity holders of the Company		169,661	30,955	930,846
Non-controlling interests		31,691	7,034	33,117
		201,352	37,989	963,963
Net earnings per share attributable to equity holders of the Company (in NIS):				
Basic and diluted net earnings	33	1.67	0.31	9.20

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NIS in thousands

Year ended December 31,	2024	2023	2022
Net income	201,352	37,989	963,963
Other comprehensive income (loss) (net of tax effect):			
Amounts that have been reclassified or will be reclassified in the future to profit or loss, net of tax:			
Gain (loss) from cash flow hedges (Note 16e)	39,945	(50,492)	-
Adjustments arising from translating financial statements of foreign operations	(90,030)	99,288	117,054
Group's share of net other comprehensive income (loss) of associates from adjustments arising from translating financial statements of foreign operations	(4,854)	5,109	3,680
	(54,939)	53,905	120,734
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)	23,500	17,449	104,772
Remeasurement gain (loss) from defined benefit plans, net	1,495	(1,417)	(1,328)
	24,995	16,032	103,444
Total other comprehensive income (loss)	(29,944)	69,937	224,178
Total comprehensive income	171,408	107,926	1,188,141
Total comprehensive income attributable to:			
Equity holders of the Company	150,359	90,309	1,145,180
Non-controlling interests	21,049	17,617	42,961
Total	171,408	107,926	1,188,141

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands

Consolidated statements of changes in equity	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	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	-	-	-	169,661	-	-	-	-	-	169,661	31,691	201,352
Total other comprehensive income (loss)	-	-	-	1,495	-	23,500	(84,242)	39,945	-	(19,302)	(10,642)	(29,944)
Total comprehensive income (loss)	-	-	-	171,156	-	23,500	(84,242)	39,945	-	150,359	21,049	171,408
Cost of share-based payment (1)	-	-	-	-	12,647	-	-	-	-	12,647	-	12,647
Exercise of share options (1)	1	2,550	-	-	(2,550)	-	-	-	-	1	-	1
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Amounts transferred from revaluation reserve for sale of property, plant and equipment	-	-	-	4,668	-	(4,668)	-	-	-	-	-	-
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	-	-	-	952	952
Balance at December 31, 2024	57,158	1,342,445	25,013	3,535,396	30,317	391,916	(408,390)	(10,547)	(58,419)	4,904,889	230,394	5,135,283

(1) See Note 29d.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands

Consolidated statements of changes in equity	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 (1)					10,399	-	-	-	-	10,399	-	10,399
Exercise of share options (1)	1	607	-	-	(607)	-	-	-	-	1	-	1
Dividend to equity holders of the Company (2)	-	-	-	(200,000)	-	-	-	-	-	(200,000)	-	(200,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,117)	(1,117)
Amounts classified to 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

(1) See Note 29d.

(2) See Note 29c.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands

Consolidated statements of changes in equity	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, 2022	57,154	1,338,734	25,013	2,920,516	4,804	250,863	(528,852)	(45,278)	4,022,954	158,662	4,181,616
Net income	-	-	-	930,846	-	-	-	-	930,846	33,117	963,963
Total other comprehensive income (loss)	-	-	-	(1,328)	-	104,772	110,890	-	214,334	9,844	224,178
Total comprehensive income	-	-	-	929,518	-	104,772	110,890	-	1,145,180	42,961	1,188,141
Cost of share-based payment (1)	-	-	-	-	6,178	-	-	-	6,178	74	6,252
Exercise of share options (1)	2	554	-	-	(554)	-	-	-	2	-	2
Dividend to equity holders of the Company	-	-	-	(320,000)	-	-	-	-	(320,000)	-	(320,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,061)	(6,061)
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	970	970	(1,346)	(376)
Balance at December 31, 2022	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

(1) See Note 29d.

(2) See Note 29c.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
NIS in thousands

Year ended December 31,	2024	2023	2022
Cash flows from operating activities:			
Net income	201,352	37,989	963,963
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Group's share of earnings of associates, net	(114,050)	(40,189)	(125,643)
Impairment (appreciation) of investment property and investment property under construction	(169,725)	232,434	(565,467)
Interest costs, net	294,467	208,765	121,002
Loss (gain) from marketable securities	(39,646)	(38,913)	54,121
Depreciation and amortization of property, plant and equipment and intangible assets	130,355	84,625	83,922
Gain from change in designation from inventories to investment property	-	(57,776)	(105,683)
Deferred taxes, net	(38,432)	(128,538)	95,794
Impairment (reversal of impairment) of lands for construction	(9,873)	33,090	(26,936)
Revaluation of long-term loans	80,444	58,237	88,671
Revaluation of debentures	173,756	141,181	121,517
Loss (gain) from sale and appreciation of investments	(2,103)	17	89
Change in employee benefit liabilities, net	(903)	(862)	(2,040)
Cost of share-based payment	12,647	10,399	6,252
Loss (gain) from sale of property, plant and equipment	5,588	(653)	(846)
Gain from remeasurement of investments in associates	-	(26,593)	-
Revaluation of long-term receivables and other investments	11,282	(23,288)	(26,969)
Gain from receivables from concession arrangements	(8,642)	(8,714)	(13,722)
Total	325,165	443,222	(295,938)
Changes in asset and liability items:			
Decrease (increase) in trade and unbilled receivables and in other accounts receivable	10,711	521,885	(429,842)
Decrease in inventories of buildings and retail space for sale less advances from customers and from buyers of apartments and in inventories	222,973	47,462	152,368
Increase (decrease) in subcontractors and trade payable and in other accounts payable	72,491	(28,567)	277,488
Total	306,175	540,780	14
Cash paid and received during the year for:			
Dividend received	13,413	9,950	74,546
Taxes paid	(61,905)	(62,691)	(105,978)
Taxes received	21,822	5,882	5,415
Total	(26,670)	(46,859)	(26,017)
Net cash provided by operating activities before purchase of lands for construction	806,022	975,132	642,022
Purchase of lands for construction	(320,262)	(830,661)	(503,835)
Proceeds from sale of lands for construction	348,000	-	-
Net cash provided by operating activities	833,760	144,471	138,187

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
NIS in thousands

Year ended December 31,	2024	2023	2022
<u>Cash flows from investing activities:</u>			
Investment in investment property	(538,928)	(189,777)	(188,453)
Investment in investment property under construction	(14,459)	*) (408,194)	(463,873)
Payments on account of investment property	(18,164)	*) (386,341)	-
Sale of (investment in) in short-term investments, net	386,179	253,922	(240,472)
Purchase of property, plant and equipment	(549,542)	(1,131,504)	(289,731)
Interest received	41,069	16,687	20,805
Grant of long-term loans to associates, net	(66,349)	(75,215)	(79,551)
Collection of receivables from concession arrangements	16,512	15,239	13,878
Investment in initially consolidated subsidiary	-	(4,184)	(4,390)
Investment in associates and other assets	(1,048)	(157,399)	(39,026)
Proceeds from sale of property, plant and equipment and investment property	28,168	59,941	228,003
Grant of long-term loans and other investments	(24,148)	(84,191)	(107,772)
Collection of long-term loans and deposits	40,668	26,013	22,219
Net cash used in investing activities	(700,042)	(2,065,003)	(1,128,363)
<u>Cash flows from financing activities:</u>			
Issue of debentures (net of issue expenses)	317,604	1,414,406	1,016,762
Repayment of debentures	(1,070,196)	(724,568)	(683,048)
Receipt of long-term loans from banks and others	1,420,357	2,514,309	909,903
Repayment of long-term loans from banks and others	(690,518)	(445,248)	(220,455)
Short-term credit from banks and others, net	16,952	309,195	6,855
Repayment of lease liability	(39,333)	(29,214)	(34,410)
Interest paid	(558,506)	(418,116)	(248,388)
Proceeds from exercise of options	1	1	2
Transaction with non-controlling interests	521	(16,493)	-
Dividend to equity holders of the Company	-	(200,000)	(320,000)
Dividend to non-controlling interests	(15)	(1,117)	(6,061)
Net cash provided by (used in) financing activities	(603,133)	2,403,155	421,160
Exchange rate differences on balances of cash and cash equivalents	(1,601)	4,823	9,322
Increase (decrease) in cash and cash equivalents	(471,016)	487,446	(559,694)
Cash and cash equivalents at the beginning of the year	1,409,337	921,891	1,481,585
Cash and cash equivalents at the end of the year	938,321	1,409,337	921,891
<u>Significant non-cash transactions:</u>			
Right-of-use asset recognized against lease liability	16,940	207,234	46,073

*) Reclassified.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 1:- GENERAL

- a. The Group companies are engaged in the initiation of projects for residential construction, the performance of construction and infrastructure contracts for the private and public sectors, the development, construction, leasing and management of real estate properties, including rental housing, the manufacture of raw materials for the construction market, the operation of concessions for planning, constructing and financing projects and the operation of renewable energy. The Company operates in Israel and overseas.
- b. Since May 28, 2014, the Company is a public company whose shares and debentures are traded on the Tel-Aviv Stock Exchange.
- c. The consequences of the Swords of Iron war:

On October 7, 2023, Hamas organization launched a combined attack on the State of Israel, particularly targeting settlements in the western Negev. The attack resulted in numerous deaths and injuries and the abduction of over 250 hostages to the Gaza Strip; as of today, 59 have not yet returned. Several entities joined the attack such as the Hezbollah organization, the Houthis, militias from Iraq and there were also multiple attacks from Iran. Following the murderous attack, the Israeli Government declared the Swords of Iron war ("the war") which, as of the date of approval of the financial statements, is still ongoing despite ceasefire agreements with Hamas and Lebanon.

The long 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. In October 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.

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 prohibited from entering Israel. The Company has implemented various adjustments to maintain its activity at a level of scope and profitability like previous achievements. However, labor shortages and rising building costs, including those of suppliers and subcontractors, resulted in increased construction costs and delays in expected project deadlines. Nevertheless, due to actions and various adjustments implemented by the Company, as of the reporting date, these increased costs and delays do not significantly affect the Company's operating results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 1:- GENERAL (Cont.)

A slowdown in construction activities led to a slowdown in the Group's industrial segment, which is heavily dependent on the construction segment. As part of the war's ramifications there was an increase in construction costs, including those due to the crisis in relations with Turkey. Turkey imposed a boycott on Israeli imports and severed diplomatic ties. This forced the Company to seek alternatives, resulting in higher construction costs and the replacement of certain products marketed in its industrial operations. It is clarified that the boycott is currently not expected to significantly affect the Company's operating 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 Company's income-producing property market activity maintained stability with high occupancy rates 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 on the scope of its operations and business results, among others, given the volatility in the markets, uncertainty regarding the duration and intensity of the war, its ramifications on the Company's operations and the Israeli market and any other potential measures of the Israeli Government. However, with respect to its financial condition, the Company remains stable. Its future financial stability, ability to meet financial covenants, fulfill signed contracts and continue ordinary business operations are not at risk due to steady cash flows, order backlog, sufficient cash reserves, access to financing facilities and, as stated, its ability to make necessary operating adjustments. This is reflected in operating income of substantially all operating segments.

Despite this, continued damage to capital markets, including the downgrading of Israel's credit rating by international rating agencies and a prolonged recession, may impact market liquidity and companies' ability to secure favorable borrowing terms and prices. The Group regularly monitors and evaluates war developments and examines its exposure and effect on its operations and responds with actions as required.

- d. As of December 31, 2024, the Company had a working capital deficit of approximately NIS 234 million. In the Company's Board estimate, the Company can meet its existing and expected financial liabilities in the two years following the approval of the consolidated financial statements. This assumption is based on, among others, the Company's cash forecast, its ability to generate cash from operating activities, its financing sources and its ability to obtain borrowings including its unused credit facilities of approximately NIS 1.3 billion.
- e. In a public tender held after the reporting date, on January 9, 2025, the Company issued 10,000,000 Ordinary shares for gross proceeds of approximately NIS 600 million (approximately NIS 584 million net of issue expenses).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NIS in thousands**

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis, except for: investment property; lands and building, financial assets and financial liabilities (including derivatives) which are presented at fair value through profit or loss, provisions, employee benefit assets and liabilities, investments in associates and joint ventures.

The Company has elected to present profit or loss items using the function of expense method.

b. The operating cycle:

The Group has two operating cycles. The operating cycle of the initiation activity which consists of the construction and sale of buildings is between one and five years. The operating cycle of the remaining activities is one year. Accordingly, in respect of the initiation activity, when the operating cycle exceeds one year, the assets and liabilities directly attributable to this activity are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the effect of potential voting rights is considered only if they are substantive. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the non-controlling interests with a corresponding adjustment of the equity attributable to equity holders of the Company less / plus the consideration paid or received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Business combinations and goodwill:

The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

If the business combination settles a pre-existing contractual relationship between the acquirer and the acquiree, the Group recognizes a gain or loss which is the lesser of the amount of any stated settlement provisions in the contract and the amount by which the contract is favorable or unfavorable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

e. Acquisition of an asset company:

Upon the acquisition of an asset company, the Group evaluates whether it is the acquisition of a business or of an asset. To be considered a business, the acquisition must include, at a minimum, an input and a substantive process that together can contribute to the creation of outputs. The acquisition is accounted for as a business combination if the asset company is a business. If it is not a business, the acquisition is accounted for as the acquisition of assets and liabilities. In such an acquisition, the cost of the acquisition includes transaction costs which are allocated to the identifiable acquired assets and liabilities proportionally based on their fair value on the acquisition date. In such case, goodwill and deferred taxes in respect of the temporary differences existing as of the acquisition date are not recognized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Structured entities:

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Company does not control these structured entities when it is not exposed, or does not have the rights, to variable returns from its involvement in the investee or does not have the ability to affect those returns through its power over the entity. When assessing whether the Company has control, the Company considers voting rights and similar rights that are available to it and to other investors in the entity which may limit the Company's ability to exercise control, including rights to appoint, reassign or remove members of an investee's key management who have the ability to direct the relevant activities.

g. Investment in joint arrangements:

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

1. Joint ventures:

In joint ventures the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is accounted for at equity

2. Joint operations:

In joint operations the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognizes in relation to its interest its share of the assets, liabilities, revenues and expenses of the joint operation.

The acquisition of interests in a joint operation which represents a business, as defined in IFRS 3, is accounted for using the acquisition method, including the measurement of the identifiable assets and liabilities at fair value, the recognition of deferred taxes arising from this measurement, the accounting treatment of the related transaction costs and the recognition of goodwill or bargain purchase gains. This applies to the acquisition of the initial interest and additional interests in a joint operation that represents a business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- h. Investments accounted for using the equity method:

Associates are companies in which the Group has significant influence over the financial and operating policies without having control. The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, gains and losses from upstream or downstream transactions with an associate or joint venture are recognized in the Company's financial statements up to the unrelated investors' share of the associate or joint venture. The Company's share of the earnings or losses of the associate or joint venture from these transactions is eliminated.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate.

The Company's share of earnings of associates is presented in the Company's statement of profit or loss in the Company's operating income because the operation of the associates is integral to the Company's activity.

- i. Functional currency, presentation currency and foreign currency:

Functional currency and presentation currency:

The functional and presentation currency of the financial statements is the NIS. The functional currency is the currency of the primary economic environment in which the Company operates.

The Group determines the functional currency of each Group entity, including companies accounted for at equity, and this currency is used to separately measure each Group entity's financial position and operating results. The functional currency of foreign investees which operate in Germany, Serbia and Portugal is the Euro, whereas in England it is the Pound and in the U.S. it is the U.S. dollar.

Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in the foreign operation and, accordingly, the exchange rate differences from these loans (net of the tax effect) are recorded in other comprehensive income (loss).

Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is carried to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw and auxiliary materials - at cost of purchase using the first-in, first-out method.

Industrial products for construction - based on average costs including materials, labor and direct and indirect manufacturing costs based on normal production capacity.

k. Inventories of land, inventories of buildings and apartments for sale:

Cost of inventories of buildings and apartments for sale includes identifiable direct costs attributable to the land such as taxes, fees and duties and construction costs.

Inventories of land include acquisitions by the Group in an exchange transaction in which in consideration for the land, the vendor is provided units in the completed project. Such land is measured at fair value upon delivery of the land and a corresponding liability is recognized.

Inventories of land include acquisitions by the Group in a transaction where the Group undertakes to pay cash based on the selling price of the units in the completed project. Such land is measured upon initial recognition by reference to the fair value of the property and the financial liability in respect of the expected future payments. In subsequent periods, the financial liability is remeasured based on the expected cash outflows discounted at the original effective interest rate. The changes in the present value of the discounted cash flows are recorded in inventories of buildings for sale.

Real estate under construction is measured at cost. Cost of real estate includes borrowing costs relating to the financing of the construction of the assets until their completion, planning and design costs, indirect costs attributable to construction and other related costs.

Inventories of buildings and apartments for sale are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Costs of inventories of apartments for sale are allocated to each separate sale contract as follows:

1. Directly identifiable costs are specifically allocated to each apartment.
2. Land costs are allocated to contracts pro rata to the selling prices less construction costs.
3. Joint construction costs that cannot be specifically attributed to a residential unit are allocated based on the apartment's area in sq. m. and the cost of construction per sq. m. in proportion to the cost of construction of the entire building.

1. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from the sale of goods (industrial products):

Revenue from sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

Revenue from construction and infrastructure contracts in Israel and in foreign locations (construction contracts):

At contract inception, the Company identifies the construction work as a performance obligation. Since the Company's performance creates an asset that the customer controls as the asset is created, the Company recognizes revenue over time.

The Company applies a cost-based input method for measuring the progress of performance obligations that are satisfied over time. The Company believes that the use of this input method, according to which revenue is recognized based on the inputs expended by the Company for fulfilling its performance obligations, best reflects the actual revenue earned. In applying this input method, the Company estimates the costs to complete contract performance to determine the amount of the revenue to be recognized. These estimated costs include the direct costs and the indirect costs that are directly attributable to a contract based on a reasonable allocation method. Moreover, in measuring the percentage of completion, the Company does not consider costs that do not contribute to the progress in satisfying performance obligations, such as costs of elevators, engines etc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In certain circumstances, the Company is unable to measure the outcome of a contract, but the Company expects to recover the costs incurred in fulfilling the contract as of the reporting date. In such circumstances, the Company recognizes revenue to the extent of the costs incurred as of the reporting date until such time the outcome of the contract can be reasonably measured. If a loss is anticipated from a contract, the loss is recognized in full regardless of the percentage of completion.

Revenue from residential, office and commercial real estate development contracts in Israel:

The Company is engaged in the development, construction and sale of residential apartments, offices and retail space in Israel. At contract inception, the Company identifies the residential units, offices and retail space as performance obligations.

In respect of the Company's real estate development activities in Israel, the Company has determined, based on the contracts with customers in Israel, the provisions of applicable laws and regulations, and legal opinions obtained, that its contracts for the sale of residential apartments, offices and retail space in Israel do not create an asset with an alternative use to the Company and that the Company has an enforceable right to payment for the performance completed to date. Under these circumstances, the Company recognizes revenue from these contracts over time.

The Company applies a cost-based input method for measuring the progress of performance obligations that are satisfied over time. The Company believes that the use of this input method, according to which revenue is recognized based on the inputs expended by the Company for fulfilling its performance obligations, best reflects the actual revenue earned. In applying this input method, the Company estimates the costs to complete contract performance to determine the amount of the revenue to be recognized. These estimated costs include the direct costs and the indirect costs that are directly attributable to a contract based on a reasonable allocation method. Moreover, in measuring the percentage of completion, the Company does not consider costs that do not contribute to the progress in satisfying performance obligations, such as cost of land, levies and fees.

The Company determines the percentage of completion, according to which revenue is recognized for each specific contract, based on the percentage of completion of an entire building or project, as applicable, provided that the transfer of the asset underlying the specific contract cannot take place before completion of the construction of the entire building or project, as applicable. The Company determines the amount of revenue based on the transaction price in each specific contract and accordingly recognizes revenue for each specific contract. In circumstances in which the Company begins performing work on an expected contract before the contract is signed by the customer, then on the date the contract is signed, the Company recognizes revenue in a cumulative amount that reflects the percentage of completion of the performance obligation as of that date. If a loss is anticipated from a contract, it is fully recognized immediately regardless of the percentage of completion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company capitalizes borrowing costs in respect of land held for construction that is a qualifying asset, such as land for which the Company is in the process of obtaining building permits and for which the Company is currently unable to sell the residential units to be constructed on the land. The Company ceases the capitalization of borrowing costs after obtaining the building permits for the land.

As described in j above, inventories of land acquired by the Company in exchange for providing apartments to the vendors are recognized at their fair value on the date of transfer of the land with a corresponding liability to render construction services. The Company recognizes revenue and costs of construction services based on the percentage of completion, concurrently with a decrease in the liability to render construction services.

Upon initial marketing, the Company makes a pro rata allocation of the joint construction costs and, specifically, cost of land, to the individual residential units based on the expected proceeds from each residential unit.

Revenue from residential real estate development contracts in foreign locations:

The Company is engaged in the development, construction and sale of residential apartments and lands in foreign locations. At contract inception, the Company identifies the residential apartments or lands as performance obligations.

In respect of the Company's foreign real estate development activities, the Company has determined, based on the laws, regulations and commercial practices applicable in the countries in which it operates outside of Israel, that the control of the asset is transferred to the customer when the asset is delivered. This determination is based on the assessment of the Company and its legal advisors that the Company does not have an enforceable right to payment until the date the apartment or plot is delivered. Therefore, revenue from sale in foreign locations is recognized at a point in time (on the date of delivery). If a loss is anticipated from a contract, it is fully recognized immediately regardless of the percentage of completion.

Costs to fulfill a contract:

Costs incurred in fulfilling contracts or anticipated contracts with customers are recognized as an asset when the costs generate or enhance the Company's resources that will be used in satisfying or continuing to satisfy the performance obligations in the future and are expected to be recovered. Costs to fulfill a contract comprise direct identifiable costs and joint indirect costs that can be directly attributed to a contract based on a reasonable allocation method. An asset in respect of costs to fulfill a contract are amortized on a systematic basis that is consistent with the provision of the services under the specific contract. An impairment loss in respect of capitalized costs to fulfill a contract is recognized in profit or loss when the carrying amount of the asset exceeds the remaining amount of consideration that the Company expects to receive for the goods or services to which the asset relates less the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)*Revenue from service concession arrangements:*

During the period of operation of the assets under the service concession arrangements, the Company recognizes revenue from operating the assets over the service period since the customers simultaneously receive and consume the benefits provided by the Company's performance as the Company performs. Payments from customers for the services are received on a current basis, as the services are rendered.

Variable consideration:

The Company determines the transaction price separately for each contract with a customer. When exercising this judgment, the Company evaluates the effect of each variable amount in the contract, taking into consideration discounts, penalties, variations, claims, and non-cash consideration. In determining the effect of the variable consideration, the Company normally uses the "most likely amount" method described in IFRS 15. Pursuant to this method, the amount of the consideration is determined as the single most likely amount in the range of possible consideration amounts in the contract. According to IFRS 15, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Costs of obtaining a contract:

To obtain certain contracts with customers, the Company incurs incremental costs in obtaining the contract (such as sales commissions which are contingent on making binding sales). Costs incurred in obtaining the contract with the customer which would not have been incurred if the contract had not been obtained and which the Company expects to recover are recognized as an asset and amortized on a systematic basis that is consistent with the provision of the services under the specific contract.

Contract balances:

The Company charges customers as the work progresses in accordance with the contractual terms. Amounts billed are classified as trade receivables in the statement of financial position. When revenues from performance of a contract are recognized in profit or loss before the customer is charged, the amounts recognized are recorded as income receivable.

Amounts received from customers in advance of performance by the Company are recorded as advances from customers and recognized as revenue in profit or loss when the work is performed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Transactions with financing:

In certain contracts, the Company provides the customer with financing for a period exceeding one year. In such circumstances, the Company recognizes revenue based on the amount that reflects the price that would have been paid by the customer in cash on the date of receipt of the goods or services, and the balance is recognized in finance income.

When long-term advances are received for services which the Company is to provide in the future, the Company accrues interest on the advances and recognizes finance expense over the expected period of the contract, provided that the contract contains a significant financing component. As the advances are recognized in revenue, the Company also recognizes the accrued interest as part of revenue from services.

The Company has elected to apply the practical expedient allowed by IFRS 15 according to which the Company does not separate the financing component in transactions for which the period of financing is one year or less and recognizes revenue in the amount of the consideration stated in the contract even if the customer pays for the goods or services before or after their receipt.

m. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions. Upon receipt of grants, the Company deducts the grant in arriving at the carrying amount of the asset in respect of concession arrangements.

n. Taxes on income:

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax assets are reviewed at each reporting date based on the probability of their utilization. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that its utilization is probable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred taxes in respect of investment property held with the objective of recovering substantially all of the economic benefits embedded in the investment property through sale rather than through use are measured in accordance with the expected method of settlement of the base asset based on sale and not use.

Taxes that would apply in the event of the disposal of investments in investees have not been considered in computing deferred taxes, if the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been considered in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

3. Tax benefits for projects in the U.S. and the respective agreement with a tax partner:

Developers who own photovoltaic projects in the U.S. are eligible for federal tax benefits under U.S. law. These benefits are most effectively utilized by partnering with a local partner with federal tax liability ("the tax partner"). In such a partnership, the tax partner provides a significant portion of the equity required to construct the project in exchange for a relatively small share of the cash flow generated by the project. However, the tax partner receives most of the project's tax benefits, primarily recognition of accelerated depreciation and receipt of tax credit.

The Company has entered into an agreement with a third party to sell tax benefits. The proceeds received from the third party for the tax benefits are recognized as income from tax credits in profit or loss.

o. Leases:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred.

The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

2. The Group as lessor:

Operating lease:

A lease in which substantially all the risks and rewards incidental to ownership of the leased asset have not been transferred to the lessee is classified as an operating lease. Lease payments are recognized over the lease term as income in profit or loss on a straight-line basis or on another systematic basis (if more representative of the pattern in which benefit from use of the underlying asset is diminished). Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income.

p. Property, plant and equipment:

Items of property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Lands and buildings are measured using the revaluation model.

The cost of an asset under construction includes the cost of materials, direct labor and borrowing costs (to the extent of compliance with the criteria in IAS 23) as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Real estate (excluding the land component)	2
Machinery and equipment	7 - 20
Motor vehicles	15
Office furniture and equipment	6 - 33
Leasehold improvements	See below
Solar installations	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

Solar installations are classified based on their different components (panels, connectors etc.) and they are depreciated over the life of each component.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

Revaluation of lands and buildings is recognized in a revaluation reserve presented in equity, net of the tax effect. The revaluation reserve is transferred directly to retained earnings when the asset is derecognized. Revalued assets are depreciated based on the revalued amount. Revaluations are performed frequently enough to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

q. **Borrowing costs:**

The Group capitalizes borrowing costs that are attributable to the acquisition, construction or production of qualifying assets which necessarily take a substantial period of time to get ready for their intended use or sale.

The Company begins capitalizing borrowing costs as part of the cost of a qualifying asset when the Company first meets all of the following conditions: it incurs expenditures for the qualifying asset, it incurs borrowing costs and it undertakes activities that are necessary to prepare the asset for its intended use or sale.

The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs, and nonspecific borrowing costs based on a weighted average capitalization rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- r. Investment property and investment property under construction:

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

Investment property is measured initially at cost, including costs direct acquisition costs. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss when they arise. Investment property is not systematically amortized.

Investment property under construction for future use as investment property is also measured at fair value, as above, if fair value can be reliably measured. If fair value cannot be reliably measured, due to the nature and risks of the project, then it is measured at cost less impairment losses, if any, until the earlier of the date when the fair value can be reliably measured and the date when construction is complete. The cost basis of investment property under construction includes cost of land, costs of borrowings that are used to finance construction, direct incremental planning and development costs and brokerage fees relating to agreements to lease the property.

A property is transferred from inventories to investment property when there is substantive evidence of a change in use, such as commencement of an operating lease to others, in accordance with the provisions of IFRS. On the date of change, the difference between the property's fair value and its cost is carried to the statement of profit or loss.

In determining the fair value of investment property, the Group relies on valuations performed by independent external appraisers who are experts in real estate valuations and who have the necessary knowledge and experience.

- s. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. After initial recognition, intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year end.

t. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset and the time value of money.

The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss. A reversal of an impairment loss for a cash-generating unit is allocated to the unit's assets, other than goodwill, pro rata to the carrying amount of each asset in the scope of IAS 36 as regards to measurement, only if the carrying amount of the asset after the reversal does not exceed the depreciated cost of the asset that would have been determined had no impairment loss been recognized for the asset.

1. Testing the impairment of goodwill in respect of subsidiaries:

The Company reviews goodwill for impairment once a year as of December 31 or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. Each cash-generating unit to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which cannot be larger than an operating segment.

2. Investment in associate or joint venture:

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates and/or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- (a) The Company's business model for managing financial assets; and
- (b) The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income, including a financial asset which is a debt instrument designated for subsequent measurement at fair value through profit or loss when certain conditions are met. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

Equity instruments and other financial assets held for trading:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company has short-term financial assets such as trade receivables in respect of which the Company applies the simplified approach of IFRS 9 and measures the loss allowance in an amount equal to the lifetime expected credit losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Evaluating expected credit losses ("ECLs"):

In assessing the impairment of financial assets, the Group considers whether there has been a significant increase in credit risk attributable to a financial asset since initial recognition and it also uses forecasts to estimate the expected credit losses considering information available to it regarding the financial condition of receivables, their business activities and valuation of any collateral received. Any change in this estimate may result in an increase or decrease in the amount of the loss allowance.

3. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss such as derivatives.

4. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires.

A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, considering qualitative and quantitative information.

5. Hedge accounting:

a) Derivative financial instruments designated as hedges:

Occasionally, the Group enters contracts for derivative financial instruments such as forward currency contracts and interest rate swaps to hedge risks associated with foreign exchange rate and interest rate fluctuations.

Any gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

b) Cash flow hedges:

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (loss) while any ineffective portion is recognized immediately in profit or loss.

Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expense is recognized.

The Company discontinues hedge accounting prospectively only when the hedge relationship, in whole or in part, ceases to meet the qualifying criteria (after considering any rebalancing of hedge relationship, if applicable), including instances when the hedging instrument expires or is sold, terminated or exercised (or if the hedge designation is reversed). When the Company discontinues hedge accounting, amounts accumulated in the cash flow hedge reserve remain in the cash flow hedge reserve until the future cash flows occur or are reclassified to profit or loss if the hedged future cash flows are no longer expected to occur.

v. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

Following are the types of provisions included in the financial statements:

Warranty:

The Group recognizes a provision for warranty when the product is sold or when the service is provided to the customer. Initial recognition is based on past experience. The estimate underlying the provision for warranty is reviewed on an annual basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)*Legal claims:*

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Levies:

Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

w. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

a) Defined contribution plans:

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense concurrently with performance of the employee's services.

b) Defined benefit plans:

The Group operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions.

y. Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award.

z. Service concession arrangements:

Service concession arrangements are arrangements where the State enters a contract with a private sector entity ("the operator") according to which the operator is committed to plan, build and finance a facility or infrastructure for public access and, as consideration for the construction of the facility, the operator receives from the State a concession to operate the facility for a specified period and to provide services related to the facility. At the end of the concession period, the operator hands over the property to the State or renews the concession period.

The Group, as an operator, has entered private finance initiative (PFI) and build, operate transfer (BOT) arrangements with the State to construct, build and operate courts and university dorms.

In accordance with IFRIC 12, the constructed infrastructure is not recognized as property, plant and equipment in the financial statements of the operator (the Group). The Group has arrangements to build courts, which are accounted for as a financial asset, and university dorms, which are accounted for as a combined model which consists of both a financial asset and an intangible asset. The period of the arrangement is divided into two periods: the construction phase and the operation phase which commences when the construction of the infrastructure is complete. The Group's rights in the concession are recognized as a financial asset, "receivables for service concession arrangements", which is within the scope of IFRS 9 (loans and receivables), because the Group has an unconditional right to receive from the grantor guaranteed consideration for the use of the infrastructure. During the construction phase, the asset is recognized at the fair value of the services and depreciated using the proceeds in the operation phase. After initial recognition, interest income is calculated over the concession term using the effective interest method. The financial asset is reduced by the portion of the consideration received that is attributable to this asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group's rights in the concession are recognized as an intangible asset, license, which reflects the Group's right to receive payments, which are not guaranteed by the grantor, to the extent that the public uses the infrastructure. The asset is recognized during the construction phase and its cost is determined by reference to the fair value of construction services.

If only part of the consideration is guaranteed by the grantor, the concession is recognized as a financial asset up to the amount guaranteed and the balance is recognized as an intangible asset.

aa. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

bb. Significant accounting judgements, estimates and assumptions used in the preparation of the financial statements:

In the process of applying the accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

1. Judgments:

- Determining the fair value of share-based payment transactions:

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Determining the timing of satisfaction of performance obligations:

To determine the timing of recognizing revenues from contracts with customers at a point in time or over time, the Company evaluates the date of transfer of control over the assets or services promised in the contracts. Among others, the Company evaluates whether the customer obtains control of the asset at a specific point in time or consumes the economic benefits associated with the contract simultaneously with the Company's performance. In determining the timing of revenue recognition, the Company also considers the provisions of applicable laws and regulations.

2. Estimates and assumptions:

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Investment property and investment property under construction:

Investment property and investment property under construction that can be reliably measured is presented at fair value at the reporting date. Changes in fair value are recognized in profit or loss as incurred. Fair value is determined generally by independent external appraisers using valuation techniques and assumptions as to estimates of projected future cash flows from the property and estimate of the suitable discount rate for these cash flows. Investment property under construction also requires an estimate of construction costs. If applicable, fair value is determined based on recent real estate transactions with similar characteristics and location of the valued asset.

The fair value measurement of investment property requires appraisers and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant area, asset operating expenses, the tenants' financial stability and the implications of any investments to be made for future development to assess the expected cash flows from the assets in the future. Any change in the assumptions used to measure the investment property could affect its fair value.

- Revenues and costs of construction contracts:

Revenues from construction contracts are recognized, among others, when the revenues and costs involved in the performance of the contracts are known or can be estimated reliably. Determining the estimated revenues and costs in respect of construction contracts requires Company's management to perform detailed projections of the expected cash flows receivable in the future from the customers and payable by the Company to finance the work. The Company's management reexamines these estimates at each reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Inventories of buildings and retail space for sale and lands for construction:

The net realizable value is determined based on Company's evaluation including forecasts and estimates as to the amounts expected to be realized from the sale of the project inventory and the construction costs necessary to bring the inventory to a saleable condition.

Recognition of revenues from sale of apartments and retail space requires the Company's management to estimate the expected costs of completing the project.

- Legal claims:

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel and on the estimate of the Company's management. These estimates are based on the legal counsel's and management's best professional judgment, considering the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates. The potential effects on the financial statements are a change in the amount of the provision for legal claims or not recording a provision.

- Impairment of goodwill:

The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. The potential effects on the financial statements are the recording of impairment losses in profit or loss when incurred.

- Deferred tax assets:

Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits, its source and the tax planning strategy. Based on the changes in these assumptions, the Company either recognizes a deferred tax asset or eliminates an existing deferred tax asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Determining the transaction price:

In transactions with customers that include variable consideration, the Company assesses, based on past experience, business forecasts and current economic conditions, whether it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In determining the transaction price for each contract with a customer, the Company considers the effects of all variable consideration in the contract, including discounts, penalties, incentives, the existence of a significant financing component and non-cash consideration.

- cc. Changes in accounting policies - initial application of new financial reporting standards and amendments to existing financial accounting standards:

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

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

According to the Subsequent Amendment:

- Only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.
- An entity should provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months from the reporting date. This disclosure is required to include information about the covenants and the related liabilities. The disclosures must include information about the nature of the future covenants and when compliance is applicable, as well as the carrying amount of the related liabilities. The purpose of this information is to allow users to understand the nature of the future covenants and to assess the risk that a liability classified as non-current could become repayable within twelve months. Furthermore, if facts and circumstances indicate that an entity may have difficulty in complying with such covenants, those facts and circumstances should be disclosed.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument. The Original Amendment and Subsequent Amendment are both applied retrospectively for annual periods beginning on January 1, 2024. The above Amendments did not have a material impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

dd. 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" ("IAS 1").

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".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. According to the decision of the Israeli Securities Authority, early adoption is permitted commencing from January 1, 2025, subject to disclosure.

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:- CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2023
Cash in NIS for immediate withdrawal	151,347	240,504
Short-term deposits in NIS (*)	529,350	811,084
Accounts in U.S. dollars	114,256	69,894
Accounts in Euro	105,563	145,270
Accounts in Pound	31,635	135,384
Accounts in other foreign currencies	6,170	7,201
Total	938,321	1,409,337

(*) The deposits are placed in banks for periods ranging between one day and three months and earn interest based on the period of the deposits (2024 – 4.0%-4.35%, 2023 – 3.0%-4.96%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 4:- SHORT-TERM INVESTMENTS

Composition:

	December 31, 2024	December 31, 2023
Marketable securities held for trading measured at fair value through profit or loss:		
Shares	10,979	35,023
Corporate bonds	7,888	59,998
Participation units in trust funds	94,725	325,443
Government bonds	2,745	21,238
Hedge funds	7,566	9,299
Money market funds	20,927	166,657
Total	144,830	617,658
Bank deposits:		
Deposits in the framework of financing from banks and financial institutions (1)	228,347	102,501
Deposits held in trust	4,480	4,242
Total	377,657	724,401

- (1) Deposits in NIS bear interest at the annual rate of about 3.5%-4.35% (2023 – 3.0%-4.36%). The deposits comprise restricted deposits and restricted deposits in the framework of financing from banks and financial institutions for construction projects.
- (2) The Company's investment policy in marketable securities held for trading is to hold up to 25% of the investment portfolio in shares. In addition, investment in Government and corporate bonds will be made in investment-grade bonds, except for up to 15% of the investment component in bonds being invested in bonds with a rating of BBB or below.

NOTE 5:- TRADE AND UNBILLED RECEIVABLES

a. Trade receivables, net:

	December 31, 2024	December 31, 2023
Receivables from construction contracts (2) (3)	228,425	131,905
Open accounts (1) (2) (3)	567,378	398,977
Receivables from tenants (1)	36,912	33,193
Receivables from buyers of apartments (3)	108,361	404,622
Checks receivable (1)	57,653	56,721
Total	998,729	1,025,418
(1) Less - allowance for doubtful accounts	18,125	19,488
(2) Includes related parties and associates	15,348	13,506

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 5:- TRADE AND UNBILLED RECEIVABLES

- (3) The Company grants its customers interest-free credit for periods of 30-90 days. In the Company's construction contracts, proceeds from customers are received at the same time as the contract is being performed and revenue is being recognized. Upon completion of the works, the project is delivered to the customer (in infrastructure projects, the project may be delivered in parts upon reaching predetermined milestones with the customer) and the Company guarantees an inspection period lasting from five to seven years starting from the date the project is delivered, based on the contract with the customer. The Company generally enters contracts with buyers who have demonstrated financial strength, such as Government companies, and obtains appropriate collaterals. In contracts with buyers of apartments and office space, proceeds are received over the period of construction of the residential units and office space, and only after receiving the full amount does the Company deliver the residential units or retail space to the buyer, in accordance with the Apartments Sales Law. The Company guarantees an inspection period lasting from one to seven years starting from the date the residential unit or retail space is delivered, based on the nature of the deficiency and the applicable laws.

- b. Changes in contract balances:

	Contract assets	Contract liabilities
Balance as of December 31, 2024 (*)	336,786	124,564
Balance as of December 31, 2023 (*)	536,527	196,035

- (*) Presented in the statement of financial position in current assets/current liabilities.

	Year ended December 31, 2024	Year ended December 31, 2023
Revenue recognized during the year from performance obligations satisfied that was included in the contract liability balance	137,133	320,992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 5:- TRADE AND UNBILLED RECEIVABLES (Cont.)

c. Following is information about the credit risk exposure of the Company's trade receivables:

	Not past due	Past due trade receivables < 60 days	Past due trade receivables 61 - 120 days	Past due trade receivables > 120 days	Total
December 31, 2024:					
Gross carrying amount	605,479	25,071	10,254	39,264	680,068
Allowance for doubtful accounts	-	11	1,040	17,074	18,125
December 31, 2023:					
Gross carrying amount	416,826	39,690	9,024	42,839	508,379
Allowance for doubtful accounts	-	202	664	18,622	19,488

d. Transaction prices allocated to unsatisfied or partially satisfied performance obligations:

	Revenue expected to be recognized in less than one year	Revenue expected to be recognized in 1 - 2 years	Revenue expected to be recognized in 2 -5 years	Total unsatisfied (or partially satisfied) performance obligations
December 31, 2024	2,785,926	1,709,180	1,829,205	6,324,311
December 31, 2023	2,868,798	1,826,184	1,519,519	6,214,501

NOTE 6:- OTHER ACCOUNTS RECEIVABLE

	December 31, 2024	December 31, 2023
Advances to suppliers	50,201	31,743
Prepaid expenses and accrued income	61,569	66,226
Government ministries	19,039	18,100
Receivables from concession arrangements (Note 11)	17,625	16,211
Loans to landowners	20,132	32,062
Partners in joint ventures and in subsidiaries	16,233	25,272
Associates	2,633	2,964
Other	25,983	25,074
Total	213,415	217,652

NOTE 7:- INVENTORIES OF BUILDINGS AND RETAIL SPACE FOR SALE

	December 31, 2024	December 31, 2023
Inventories of buildings for sale and lands (1)	1,499,013	1,322,259
Inventories of lands held for sale (2)	-	57,576
Total	1,499,013	1,379,835

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 7:- INVENTORIES OF BUILDINGS AND RETAIL SPACE FOR SALE (Cont.)

(1) Composition:

	December 31, 2024	December 31, 2023
In Israel:		
National Master Plan 38 projects (d)	400,085	246,656
Hashaked, Kiryat Ono (Note 9b(9))	221,990	-
Neot Afeka, Tel-Aviv	199,160	190,428
Galei Netanya, Netanya	110,767	111,023
Pardes, Kiryat Ono	58,697	137,139
Tagor, Tel-Aviv	52,079	93,209
Recanati Residence, Tel-Aviv	38,128	40,713
New Krinizi, Ramat Gan	31,416	7,958
Kiryat HaYovel, Jerusalem (e)	6,106	26,450
Nachlat Yehuda, Rishon LeZion	1,944	109,456
Park Tower, Ramat Gan	-	40,205
Agamim, Netanya	-	20,753
Other projects	21,281	37,116
Total in Israel	1,141,653	1,061,106
In the United States	252,254	170,108
In Jamaica	4,106	3,232
In Portugal	101,000	87,813
Total	1,499,013	1,322,259

Additional information:

(a) Inventories of buildings and retail space for sale include costs incurred in combination transactions with landowners, recorded against an item in the statement of financial position - liability for combination transactions - in a total of approximately NIS 403 million (2023 - NIS 116 million), see Note 21.

(b) Details of the Group's sale contracts:

In the course of the year, the Group (including transactions with partners) signed contracts for the sale of 517 residential units (2023 – 257 residential units) with estimated total consideration of approximately NIS 1,345 million (2023 - NIS 685 million). The Company's share is NIS 1,080 million (2023 - NIS 640 million). These sale contracts also include projects whose construction has not been completed as of December 31, 2024 or projects whose sale has not been completed as of December 31, 2024.

(c) The Company anticipates that an amount of approximately NIS 836 million of the balance of inventories of buildings and retail space for sale will be realized in the 12 months from the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 7:- INVENTORIES OF BUILDINGS AND RETAIL SPACE FOR SALE (Cont.)

(d) As of December 31, 2024, the Company is involved in 12 National Master Plan 38 projects which are classified to the item inventories of buildings for sale which entail construction of some 538 residential units (of which 303 for sale and 235 units are intended to be delivered to landowners).

(e) See Note 10a(1).

(2) The remaining inventories of lands for sale as of December 31, 2023 was from lands of Blue Marina Ltd. ("Blue Marina", see Note 14d(1)). In 2003-2004, Blue Marina signed agreements to sale five plots designated for retail, office and hotel construction. As of December 31, 2023, the remaining advances received of approximately NIS 59 million was classified to liabilities in the item advances from buyers of real estate. As for these plots, the buyers had an option to cancel the plots purchase agreements.

In H2 of 2019, Blue Marina reached an agreement with the ILA and the Ashdod Municipality regarding the allocation of plots sold against guarantees for the execution of the remaining development for public use (the lake and the open area) in the amount of NIS 7.5 million. During H1 of 2024, after the buyers had paid their share of the permit fees, the remaining plots were transferred to them. In January 2025, the above guarantee has been removed.

NOTE 8:- INVENTORIES

	December 31, 2024	December 31, 2023
Industrial construction products	100,655	105,433
Raw and auxiliary materials	79,111	69,508
Total	179,766	174,941

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 9:- LANDS FOR CONSTRUCTION

a. Composition:

	December 31, 2024	December 31, 2023
In Israel:		
Galil Yam, Herzliya (1)	-	344,582
International Quarter, Lod (2)	260,817	255,977
Blue Marina, Ashdod (3)	259,158	235,515
Maccabi Jaffa Complex B, Tel-Aviv-Jaffa (4)	211,030	-
Zrifin, Be'er Ya'akov (5)	201,996	188,963
Ramat Hadar, Givat Shmuel (6)	182,368	169,957
'100' Complex, Ra'anana (7)	178,363	162,485
Nahal Ada, Or Akiva (8)	167,335	158,573
Land in Bat Yam	68,157	63,211
Hashaked, Kiryat Ono (supplementary land) (9)	63,217	59,078
Hof Hazuk, Tel-Aviv (10)	53,268	52,852
National Master Plan 38 projects (11)	29,667	33,880
Ramat Efal, Ramat Gan (12)	14,777	14,669
Other	77,043	62,280
Total in Israel	1,767,196	1,802,022
Abroad:		
U.S.A. (13)	37,616	131,704
Portugal (14)	24,275	9,971
Jamaica	2,823	1,673
Total abroad	64,714	143,348
Total lands for construction	1,831,910	1,945,370
Less - provision for impairment of land	101,025	110,898

b. Additional information:

- (1) In December 2022, Ashtrom Residential Development Ltd. ("Ashtrom Residential") (formerly: Ashdar Building Co. Ltd.) won a tender for the lease of real estate in Galil Yam neighborhood, Herzliya, where 195 high density residential units are planned to be built for approximately NIS 283 million plus development expenses of approximately NIS 26 million. The purchase was mainly financed by a long-term loan of approximately NIS 247 million from a bank.

On May 9, 2024, Ashtrom Residential signed an agreement to assign all its rights and obligations under a lease agreement with the Israel Lands Authority ("ILA") for land to a third party that is unrelated to the Company ("the buyer"). According to the agreement, Ashtrom Residential will receive a total of approximately NIS 322 million and the buyer will refund Ashtrom Residential development costs of approximately NIS 26 million that were paid to the ILA by June 30, 2024. Up to June 30, 2024, the full consideration was received and, simultaneously, the loan for the land totaling approximately NIS 247 million was repaid and the title to the real estate was passed to the buyer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 9:- LANDS FOR CONSTRUCTION (Cont.)

- (2) On May 11, 2022, Ashtrom Residential won a tender for the purchase of three plots in the International Quarter, Lod, on which 263 high density residential units are planned to be built along with a commercial facade. Approximately NIS 197 million was paid for the real estate plus NIS 44 million for development expenses.

As part of the purchase of the land, Ashtrom Residential signed a loan agreement with a bank for which approximately NIS 193 million was received and a pledge on the land was recorded in favor of the lending bank. As of the reporting date, the excavation and shoring permit has been obtained and the Local Committee has granted conditional approval for the building permit applications.

As of December 31, 2024 and 2023, Ashtrom Residential recognized provisions for impairment of land of approximately NIS 14 million NIS 20 million, respectively, due to the negative impact on the project's profitability which was primarily caused by a rise in project finance costs and by the expected extension in the timeline from acquisition to completion of construction.

- (3) The balance includes four plots in Ashdod covering some 26.6 thousand sq.m. that is designated for hotel and retail and that is held by Blue Marina. According to the existing urban planning scheme, hotel space with prime area of 81.5 thousand sq.m. and some 12 thousand sq.m. of retail space may be built besides service area of some 46 thousand sq.m. Marina has lease rights from the Ashdod Municipality and ILA. See also Notes 7(2) and 14d(1).

According to a valuation performed by independent external appraiser regarding the net realizable value of the real estate, while considering the approval of a new urban planning scheme for the hotel area and the assessment of overall risks and opportunities relating to the real estate, the realizable value is lower than its cost. Therefore, a provision for impairment is recognized for Blue Marina's rights to the real estate. In December 2019, the Company started the development works of the land and the public area. The works were completed in Q1 of 2024, except for the south promenade which are expected to be completed in H1 of 2025.

Blue Marina assessed the estimated liability for development works according to the urban planning scheme for the plots it owns and the plots sold, as described in Note 7(2). Its carrying amount as of December 31, 2024 was approximately NIS 32 million (2023 – approximately NIS 42.5 million) (Note 20).

Total updates to the provision for development and the value of the real estate resulted in a gain of approximately NIS 13.9 million in 2024 (2023 – a loss of approximately NIS 12.9 million).

During June 2022, Blue Marina signed an agreement in principle for the sale of plots 42, 43 and 44 (except for the hotel rights on this plot) and the retail units above the ILA parking lot for approximately NIS 156 million. The actual allocation of the plots and the retail units is a condition for the fulfillment of the agreement in principle and Blue Marina expects to receive them by the end of 2025.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 9:- LANDS FOR CONSTRUCTION (Cont.)

- (4) On April 15, 2024, Ashtrom Residential 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 dense construction of 412 residential units for sale on the free market and retail space with a main area of some 1,400 sq.m. for approximately NIS 378 million plus VAT and development expenses of approximately NIS 7.5 million (including VAT). As of December 31, 2024, the transaction was finalized and the full consideration was paid. To finance the purchase of real estate rights, Ashtrom Residential and its partner signed a financing agreement with a bank, which provided a loan of approximately NIS 305 million (Ashtrom Residential's share is 50%) for two years from the date of receipt. Simultaneously, a charge was recorded on the land in favor of the lending bank.

- (5) On December 26, 2022, the Company was informed that it won, together with Ashtrom Residential, in equal parts, the ILA tender for the lease of a plot in Be'er Ya'akov designated for the construction of 260 residential units (due to a relief), 50% of which for sale on the free market and the remaining 50% for sale under "target price housing" program and retail space for NIS 124 million plus development expenses of approximately NIS 44 million. The purchase was mainly financed by a long-term loan of approximately NIS 130 million from a bank. As of the financial statements date, the excavation and shoring permit has been obtained for the project. Simultaneously, a charge was recorded on the land in favor of the lending bank.

- (6) Ashtrom Residential won a tender for the lease of real estate in the Ramat Hadar neighborhood, Givat Shmuel for the dense construction of 122 residential units and retail space for approximately NIS 146 million plus development expenses of approximately NIS 5 million. The purchase was mainly financed by a long-term loan of approximately NIS 118 million from a bank. Simultaneously, a charge was recorded on the land in favor of the lending bank. As of the financial statements date, the excavation and shoring permit has been obtained for the project and building permit applications were approved under conditions.

- (7) On July 4, 2021, Ashtrom Residential entered into an agreement with third parties to purchase land rights in Ra'anana for approximately NIS 146 million, including immediate related costs. Based on the relevant plan, a project comprising some 106 residential units can be built on the land. Ashtrom Residential applied for a relief for an additional 5 residential units without additional building rights which was approved under conditions by the Local Planning and Building Council in Ra'anana. To purchase the land, Ashtrom Residential entered into a long-term loan agreement with a bank to receive approximately NIS 102 million. Simultaneously, a charge was recorded on the land in favor of the lending bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 9:- LANDS FOR CONSTRUCTION (Cont.)

- (8) In December 2021, Ashtrom Residential entered into agreements with third parties to purchase land rights in the Nahal Ada neighborhood, Or Akiva for approximately NIS 111 million. Based on the relevant plan, a project comprising some 212 residential units in 13 buildings of 6 to 14 floors can be built. During 2022, Ashtrom Residential entered into three additional agreements with third parties to purchase rights for the construction of additional 49 residential units for approximately NIS 23 million. The construction of the project requires, among others, the consent of additional landowners. To purchase the land, Ashtrom Residential entered into a loan agreement with a bank to receive NIS 82.5 million, payable by June 2026. Simultaneously, a charge was recorded on the land in favor of the lending bank.
- (9) Ashtrom Residential (75%) together with its partner (25%) entered into a demolition and construction agreement with 104 apartment owners in 4 buildings in Hashaked, Kiryat Ono. A detailed master plan that permits the construction of 195 residential units on the land was approved. In 2024, a building permit for the project was obtained. The evacuation and demolition of 104 residential units in existing buildings was completed and marketing of 91 residential units in the first stage of the project commenced. This part of the project is included in the item inventories of buildings and retail space for sale. It was also agreed with the ILA on the allocation of supplementary land, allowing for the construction of 111 residential units, for approximately NIS 60 million (including development expenses) which was paid during Q2 of 2023.

In March 2024, Ashtrom Residential acquired the partner's share of the rights and obligations to the apartment owners under the demolition and construction agreement as well as all the partner's obligations and rights related to the supplementary land in consideration for the assignment of all the partner's rights and liabilities to Ashtrom Residential by offsetting approximately NIS 20 million from loans provided by Ashtrom Residential to the partner for the project's development.

- (10) Ashtrom Residential and its partner in the Hof Hazuk, Tel-Aviv project are the registered owners, in equal parts, of a land complex in Tel-Aviv covering some 16 thousand sq.m. Ashtrom Residential and a former partner in the project constructed on the land a southern tower with 14 floors on top of an entry floor comprising 161 hotel units. Of these, 159 hotel units have been sold.

Following discussions held in the planning authorities to rezone the land from hotel, tourism and recreational uses to also include residential use, Ashtrom Residential and its partner suspended the construction of the northern tower in the project.

The new plan approved in 2021 includes the following:

- (a) It was approved to build a hotel with at least 198 rooms on 3 floors on the western side and 5 floors on the northern side of the complex, with main area of 10,630 sq.m., in addition to a main area of 1,590 sq.m. for terraces.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 9:- LANDS FOR CONSTRUCTION (Cont.)

- (b) The option to build 33 cottages designated for hotel and recreational use in the southern, western and northern parts of the complex was cancelled.
- (c) About 4,135 sq.m. of land bordering onshore area of 100 m. from the coastline in the western part of the complex was rezoned to serve as an open communal area and for the expansion of the coastal zone and the preservation of the kurkar ridge.
- (d) The northern tower in the project was rezoned from hotel, tourism and recreational use to residential use (116 residential units covering main area of 10,233 sq.m. in addition to a main area of 1,392 sq.m. for terraces in 14 floors above ground floor).
- (e) There will be no change to the designation of the southern tower, meaning hotel, tourism and recreational use. As for 3,694 sq.m. in this tower, a planning caveat will be registered regarding the commitment of all buyers to make the unit available to the general public through a hotel database or in another form for at least six months each year and management of the suite hotel by a management company.
- (f) Retail space with main area of 500 sq.m. was added to the northern part of the complex.
- (g) The area in the southern part of the complex will be open and kept free from any erections thereon.
- (h) Fences within 100 m. of the shoreline are not allowed.
- (i) The operation of the buildings and yards will be located and conducted underground.

Ashtrom Residential and its partner are developing a new design program for the project based on the approved new plan.

A mortgage is recorded on the real estate (including Ashtrom Residential real estate rights) in favor of a bank.

- (11) As of the financial statements date, Ashtrom Residential is involved in 19 National Master Plan 38 projects in various planning stages classified in the item lands for construction which involve the construction of some 1,020 residential units (559 for sale and 461 to be delivered to landowners).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 9:- LANDS FOR CONSTRUCTION (Cont.)

- (12) Ramat Efal joint venture (Ashtrom Residential's share is 33%) owns land in Ramat Efal covering a total of some 8 thousand sq.m. (Ashtrom Residential's share is some 2.667 sq.m.). A detailed plan was approved for the land and nearby real estate which allows the construction of residential buildings, offices, retail space and housing for vulnerable populations ("the plan"). The plan was published in the official records and the press in December 2021 and became effective on January 9, 2022. According to an agreement between the joint venture and the company owning rights to nearby real estate, the joint venture did not object to the approved plan's rights allocation schedule in exchange for receiving a balancing payment (in land rights and cash) from the company owning rights to nearby real estate. Based on cooperation agreements with the company owning rights to nearby real estate from January 3, 2022 and July 16, 2020, the overall balancing will be determined by an agreed appraiser's valuation. In May 2022, the appraiser determined that the company owning rights to nearby real estate has to transfer to the joint venture real estate valued at approximately NIS 108 million (excluding betterment tax) and cash compensation at approximately NIS 16 million. Ashtrom Residential's share in the approved plan (excluding additional rights from the above balancing) is some 78 residential units, some 13 special residential units and some 1,177 sq.m. of retail, employment and hotel space.

Ashtrom Residential and the partners signed an agreement according to which Ashtrom Residential and another partner will finance the third partner's share of the project as needed. The third partner will bear all financing expenses for the joint transaction until the date of approval of the new detailed plan which will enable the issuance of building permits for the project. See also Note 15b(3).

- (13) As of December 31, 2024, cost in the U.S. mainly represents lands in Orlando, Florida designated for the construction of some 225 detached residential units, 230 apartments and two retail centers. This is after approximately NIS 100 million worth of lands were classified to the item inventories of buildings for sale in 2024. The balance also includes lands in New York designated for the construction of 305 residential units. The Company's share of these plots is 50%.
- (14) Cost in Portugal represents land in Porto designated for the construction of 300 residential units as well as land in Gaia designated for the construction of 140 residential units.
- c. The item lands for construction includes capitalized borrowing costs in 2024 totaling approximately NIS 69 million (2023 - NIS 72.6 million). The capitalization rate used to determine non-specific capitalization costs in 2024 is an average rate of 5.8% (2023 - 4.6%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 9:- LANDS FOR CONSTRUCTION (Cont.)

d.

Net balance at January 1, 2024	1,945,370
Additions	320,262
Adjustments arising from translating financial statements of foreign operations	2,770
Capitalized borrowing costs	69,115
Decrease in provision for impairment	9,873
Sale of land	(348,000)
Amounts reclassified to buildings for sale	(157,240)
Decrease in liability for development of land and other liabilities	(10,240)
Net balance at December 31, 2024	<u><u>1,831,910</u></u>

e. As for charges, see Note 28.

NOTE 10:- INVESTMENT PROPERTY UNDER CONSTRUCTION

a. Composition:

	December 31, 2024	December 31, 2023
Rental housing in Kiryat HaYovel, Jerusalem (1)	-	881,200
Retail space in Kiryat HaYovel, Jerusalem (1)	-	110,400
Rental housing in northern Bnei Brak (2)	185,800	174,800
Retail space in northern Bnei Brak (2)	3,200	5,100
Kasar House, Tel-Aviv (3)	49,970	23,280
Rental housing in International Quarter, Lod (4)	100,500	125,600
Retail space in International Quarter, Lod (4)	6,700	16,000
Rental housing in south Tel HaShomer, Ramat Gan (5)	136,800	136,400
Retail space in south Tel HaShomer, Ramat Gan (5)	16,200	18,700
Rental housing in Be'er Ya'akov (6)	95,700	124,900
Total	<u><u>594,870</u></u>	<u><u>1,616,380</u></u>

- (1) On August 17, 2017, Apartment for Rent informed the Company's wholly-controlled limited partnership ("the partnership") that the partnership won a tender for the purchase of land in Kiryat HaYovel in Jerusalem for approximately NIS 176.6 million that is designated for the construction of 396 residential units for long-term rent of around 20 years, 132 residential units for immediate sale and some 6,000 sq.m. of retail space for rent. The conditions of the rent are like those of the units for rent in Haifa (see Note 13c(3)). The partnership received Form 4 for the project in December 2023, and the occupancy of the project began in January 2024. Considering the above, in 2024, property worth approximately NIS 992 million was classified to investment property. In February 2019, a long-term loan agreement was signed for the project. The carrying amount of the loan for the residential units for rent and the retail space as of December 31, 2024 was approximately NIS 528 million. The costs relating to the residential units for immediate sale were classified to the item inventories of buildings for sale (see Note 7(1)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 10:- INVESTMENT PROPERTY UNDER CONSTRUCTION (Cont.)

- (2) On June 29, 2021, Apartment for Rent and the ILA informed the Company's wholly-controlled limited partnership ("the partnership") that the partnership won a tender for the purchase of land in Bnei Brak for approximately NIS 127 million plus development costs of NIS 75 million. The land is designated for the construction of 248 residential units (including Shebes relief) for long-term rent of around 20 years and some 500 sq.m. of buildings for public use and some 900 sq.m. of retail space for rent. The conditions of the rent are like those of the units for rent in Haifa (see Note 13c(3)), except that 50% of the residential units must be rented to eligible tenants according to the Ministry of Housing for supervised rental fee. The partnership estimates that the scope of the investment in the project will total approximately NIS 565 million. Planning and construction works of the project commenced and are expected to be completed by 2027. To finance the investment in the land, in September 2021, the partnership received an interim financing from a bank. The carrying amount of the loan as of December 31, 2024 was approximately NIS 130 million. As collateral for the loan, the partnership pledged its rights to the project. In accordance with a valuation the partnership received from an independent external appraiser, the land is valued at approximately NIS 189 million as of December 31, 2024 and, accordingly, in 2024, the partnership recognized an impairment of approximately NIS 12 million (2023- approximately NIS 50 million).
- (3) The Company's wholly-controlled limited partnership purchased the land in Tel-Aviv in May 2021 for approximately NIS 40 million. The land is located in the Neve Ofer neighborhood, Tel-Aviv and the partnership is exploring the possibility of repurposing it for long-term rental housing while preserving an existing historic building in the project. To finance the investment in the land, in December 2021, the partnership received an interim financing of NIS 38 million from a bank. In accordance with a valuation the partnership received from an independent external appraiser, the land is valued at approximately NIS 50 million as of December 31, 2024 and, accordingly, in 2024, the partnership recognized an appreciation of approximately NIS 23 million (2023 – impairment of approximately NIS 29 million).
- (4) On December 26, 2021, Apartment for Rent informed the Company's wholly-controlled limited partnership ("the partnership") that the partnership won a tender for the purchase of land in Lod for approximately NIS 218 million plus development costs of NIS 45 million. The land is designated for the construction of 310 residential units for long-term rent of around 15 years and some 1,366 sq.m. of retail space for rent. The conditions of the rent are like those of the units for rent in Haifa (see Note 13c(3)), except that 50% of the residential units must be rented to eligible tenants according to the Ministry of Housing for supervised rental fee. In March 2022, the remaining winning cost of approximately NIS 294 million was paid and interim financing of approximately NIS 200 million was received from a bank as of December 31, 2024. The partnership estimates that the scope of the investment in the project will total approximately NIS 825 million. Planning and construction works of the project commenced and are expected to be completed during 2027. In accordance with a valuation the partnership received from an independent external appraiser, the land is valued at approximately NIS 107 million as of December 31, 2024 and, accordingly, in 2024, the partnership recognized an impairment of approximately NIS 62 million (2023 - approximately NIS 56 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 10:- INVESTMENT PROPERTY UNDER CONSTRUCTION (Cont.)

- (5) On December 29, 2022, Apartment for Rent informed the Company's wholly-controlled limited partnership ("the partnership") that the partnership won a tender together with ILA for the purchase of land in Ramat Gan (south Tel HaShomer) for approximately NIS 127.6 million plus development costs of NIS 15 million for the purposes of planning, building and operating a residential project consisting of 139 residential units (after Shebes relief) for long-term rent of around 20 years and some 1,438 sq.m. of retail space for rent. The conditions of the rent are like those of the units for rent in Haifa (see Note 13c(3)), except that 50% of the residential units must be rented to eligible tenants according to the Ministry of Housing for supervised rental fee. The partnership estimates that the scope of the investment in the project will total approximately NIS 415 million. According to the conditions of the tender, planning and construction works commenced and are expected to be completed during 2027. In 2023, the partnership paid a total of approximately NIS 172 million which was mainly financed by a long-term loan of approximately NIS 118 million from a bank. In accordance with a valuation the partnership received from an independent external appraiser, the land is valued at approximately NIS 153 million as of December 31, 2024 and, accordingly, in 2024, the partnership recognized an impairment of approximately NIS 14 million (2023 - approximately NIS 27 million).
- (6) On December 29, 2022, Apartment for Rent informed the Company's wholly-controlled limited partnership ("the partnership") that the partnership won a tender together with ILA for the purchase of land in Be'er Ya'akov for approximately NIS 111 million plus development costs of NIS 44 million for the purposes of planning, building and operating a residential project consisting of 256 residential units (after Shebes relief) for long-term rent of around 20 years. The conditions of the rent are like those of the units for rent in Haifa (see Note 13c(3)), except that 50% of the residential units must be rented to eligible tenants according to the Ministry of Housing for supervised rental fee. The partnership estimates that the scope of the investment in the project will total approximately NIS 650 million. According to the conditions of the tender, planning and construction works commenced and are expected to be completed during 2028. In 2023, the partnership paid a total of approximately NIS 184 million which was financed by a long-term loan from a bank whose carrying amount as of December 31, 2024 was approximately NIS 113 million. In accordance with a valuation the partnership received from an independent external appraiser, the land is valued at approximately NIS 96 million as of December 31, 2024 and, accordingly, in 2024, the partnership recognized an impairment of approximately NIS 42 million (2023 - approximately NIS 70 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 10:- INVESTMENT PROPERTY UNDER CONSTRUCTION (Cont.)

- (7) The fair value of investment property under construction was determined by an independent external appraiser using the residual value method based on the expected discounted future cash flows from the property. The estimated fair value is based on the expected future cash inflow from the completed project and the estimated scrap value is based on the comparison approach using discount rates which take into consideration the property's structured risk, including construction risk and operating risk and less entrepreneurial profit. The remaining expected costs of completion are deducted from the value of the completed project, as above. All estimates are based on existing market conditions at the reporting date. The estimated future cash flows of the projects were discounted at rates of about 5.0%-6.0% (2023 – 5.0%-5.5%). The appraiser assumes a 2% real annual increase in rent and in the value of the apartments (2023 – same) and that the occupancy rate in a typical year is 99.5% under supervised rent and 98% under rent in the free market (2023 – same). The retail centers and the real estate in Kasar House were estimated using the comparison approach. The investment property under construction is classified as Level 3 in the fair value hierarchy.
- (8) The effect of the change in the assumptions used determine the fair values of properties on the pre-tax income of the Group is a 2% real annual increase in rent and in the value of the apartments (2023 - same). If the above rate were to increase/decrease by 25 base points, the value of investment property under construction would increase/decrease by approximately NIS 52 million and NIS 50 million, respectively. As of December 31, 2024, the discount rate for the yielding period is 6.0% and the scrap discount rate is 5% (December 31, 2023 - 5.5% for discount and 5.0% for scrap). If the above rate were to increase/decrease by 25 base points, the value of investment property under construction would increase/decrease by approximately NIS 65 million and NIS 68 million, respectively.

b. Movement:

Balance at January 1, 2024	1,616,380
Additions	14,459
Classified to investment property	(991,600)
Capitalized borrowing costs	62,150
Impairment of investment property under construction	(106,519)
Balance at December 31, 2024	<u><u>594,870</u></u>

c. As for charges, see Note 28a.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 11:- RECEIVABLES FROM CONCESSION ARRANGEMENTS

Composition:

	December 31, 2024	December 31, 2023
Herzliya Courthouse (1)	3,346	4,383
Petah Tikva Courthouse (1)	6,855	8,697
Ashkelon Courthouse (2)	16,771	17,901
Lod Courthouse (2)	34,444	36,741
Bat Yam Courthouse (3)	135,623	137,135
Dormitories at Ben-Gurion University (4)	54,844	54,896
	251,883	259,753

Presented in:

Short-term receivables from concession arrangements (Note 6)	17,625	16,211
Long-term receivables from concession arrangements	234,258	243,542
Total	251,883	259,753

- (1) The Company won tenders for the construction and maintenance of courts in Herzliya and Petah Tikva in such a manner that after construction the Company will continue to operate and maintain the buildings for a period of 20 years. In 2007, the construction was completed and the operation of the courts began. The carrying amounts reflect the present value of the expected receipts from the State in respect of the construction of the courts discounted at the discount rate of about 8.5%.
- (2) In 2010, the Company won tenders for the construction and maintenance of courts in Ashkelon and Lod in such a manner that after construction the Company will continue to operate and maintain the buildings for a period of 20 years. In September 2012, the construction of the courts was completed and their operation began. The carrying amounts reflect the present value of the expected receipts from the State in respect of the construction of the courts discounted at the discount rate of about 5.1%-5.3%.
- (3) In March 2016, the Company (through its wholly-controlled limited partnership) won a tender for the construction and maintenance of a court in Bat Yam in such a manner that after construction the Company will continue to operate and maintain the building for a period of 21 years and 9 months. During this period, the Company will receive 87 equal quarterly payments in the amount of the consideration set in the tender. In December 2019, construction works were completed and operation began. Construction grants received from the State for the project totaled approximately NIS 76 million. The carrying amounts reflect the present value of the expected receipts from the State in respect of the construction of the courts discounted at the discount rate of about 4%-4.5%. In August 2019, the Company received funding from a financial institution in the amount of approximately NIS 77 million against pledging and assigning the quarterly receipts (from the construction) in respect of this project. In December 2020, the financial institution gave another loan facility. Total funding amounted approximately NIS 108 million as of December 31, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NIS in thousands**

NOTE 11:- RECEIVABLES FROM CONCESSION ARRANGEMENTS (Cont.)

- (4) In December 2015, the Company (through its wholly-controlled limited partnership) won a tender of the Ben-Gurion University for the construction of 129 residential units that are designated for the University's doctoral at its campus using the DBOT method for 24 years and 11 months (construction and operation). According to the conditions of the tender, the Company will plan and construct the project and thereafter manage it, namely, maintaining and renting the residential units in the project over the operation period. These are 2 and 3-room apartments. The concession agreement includes a mechanism of a safety net to secure 70% of the demands. The construction of the building was completed in Q3 of 2019 and occupation practically started in Q4 of 2019. As of December 31, 2024, the scope of the loan taken to finance the project totals approximately NIS 64 million. The carrying amount is calculated based on the present value of the receipts which are secured by the University through the above safety mechanism and discounted at a rate of about 4.7%. The carrying amount of receipts which are not secured by said safety mechanism total approximately NIS 17 million and was included in intangible assets (Note 17).

As for charges, see Note 28.

NOTE 12:- PAYMENTS ON ACCOUNT OF PURCHASE OF INVESTMENT PROPERTY

During March 2022, the Company's wholly-controlled limited partnership signed an option agreement to purchase 168 residential units for a total of approximately NIS 550 million and about 800 sq.m. of retail space for a total of approximately NIS 43 million in Neve Ayalon neighborhood, Or Yehuda. The partnership designates the residential units for long-term rent. The partnership paid approximately NIS 27 million for the agreement. According to the agreement, the exercise of the option is subject to several conditions including that the seller obtains a building permit to construct the project. On November 13, 2022, the seller informed the Company that the conditions had been met. In December 2022, the partnership informed the seller that it intends to exercise the option and it paid NIS 63 million on account of the purchase. In January 2023, the partnership made an additional payment of approximately NIS 386 million.

On March 12, 2024, the seller notified the Company that a new urban planning scheme, published for approval in the official records on February 12, 2024, added a main area of 1,000 sq.m. for housing to the plot purchased by the Company. Under the new urban planning scheme, a new permit was issued for 8 additional residential units, adding one typical residential floor to two of the buildings on the plot (out of 4 buildings). In August 2024, according to the option agreement, the parties signed an addendum to the sale agreement to purchase these 8 additional apartments for approximately NIS 22 million of which, as of the financial statements date, approximately NIS 18 million has been paid. Construction works in the project are expected to be completed by the end of 2025.

To finance the purchase of the residential units and retail space, on November 31, 2022, the partnership signed a credit facility agreement with an institutional entity for approximately NIS 479 million. The carrying amount of the loan as of December 31, 2024 was approximately NIS 434 million. As collateral for the credit facility, the Company pledged the residential units.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 13:- INVESTMENT PROPERTY

a. Composition:

	Industrial buildings	Retail centers and office buildings	Residential units for rent	Lands and properties under construction	Total
Balance at December 31, 2022	837,036	3,103,209	1,308,890	798,928	6,048,063
Purchases and additions during the year	12,670	86,731	13,826	86,550	199,777
Classification from investment property under construction (c(5))	-	49,400	534,500	-	583,900
Classification from inventories of buildings for sale (Note 7f)	-	-	108,650	-	108,650
Additions for new contracts, IFRS 16 (c(6))	-	64,325	-	-	64,325
Appreciation (impairment) of investment property	33,545	(172,288)	146,569	(28,287)	(20,461)
Disposals during the year	(8,928)	(52,536)	-	-	(61,464)
Unbilled straight-line rent	-	(1,075)	-	(513)	(1,588)
Capitalized financing	-	-	-	14,602	14,602
Adjustments arising from translating financial statements	2,284	168,620	-	13,700	184,604
Balance at December 31, 2023	876,607	3,246,386	2,112,435	884,980	7,120,408
Purchases and additions during the year	4,402	466,696	1,781	55,535	528,414
Classification from investment property under construction (c(6))	-	110,400	881,200	-	991,600
Appreciation of investment property	43,187	61,740	150,213	21,104	276,244
Disposals during the year	(16,000)	-	-	(114)	(16,114)
Unbilled straight-line rent and others	-	1,464	-	-	1,464
Capitalized financing	-	-	-	17,011	17,011
Adjustments arising from translating financial statements	(2,347)	(131,960)	-	(2,680)	(136,987)
Balance at December 31, 2024	905,849	3,754,726	3,145,629	975,836	8,782,040

b. Information about material investments and disposals:

In October 2024, a wholly-owned subsidiary of Ashtrom Properties completed the acquisition of an office building in Leeds, England, for approximately £ 83 million (approximately NIS 407 million) (including related acquisition costs). The building encompasses some 21,200 sq.m., including some 130 parking spaces and has an occupancy rate of around 98%. Related acquisition costs of approximately NIS 23 million were reported in 2024 in the item appreciation (impairment) of investment property, net.

The acquisition of the property was financed by Ashtrom Properties' own sources and interim financing of approximately £ 50.7 million (approximately NIS 231 million as of December 31, 2024) from an Israeli corporation, for a one-year period. It is included in the Company's current liabilities. After the reporting date, in February 2025, Ashtrom Properties repaid the loan and obtained a new loan of £ 44.85 million (approximately NIS 205 million) from a local English bank, for a five-year period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 13:- INVESTMENT PROPERTY (Cont.)

c. Additional information:

1. The freehold and leasehold rights in respect of some of the real estate properties have not yet been registered in the name of the Group companies since the procedures of consolidation and separation were not completed.
2. Investment property is presented at fair value according to valuations made by independent external appraisers with professional qualifications and extensive experience in the location and category of the real estate being valued. The fair value of investment property is measured as follows:
 - The fair value of buildings for rent is mainly estimated using the income approach based on an estimate of the expected future cash flows from the properties using discount rates that consider the inherit risk of the properties. The principal assumptions used in the valuations include the amount of the rental fees paid by region (in terms of sq.m.), expected change in monthly rental fees, periodic maintenance costs, occupancy rates, potential contract renewal/extension, comparable transactions in similar properties and discount rates.
 - The fair value of real estate (and parts of buildings for rent) is determined using the comparison approach based on comparable transactions in similar real estate transactions (in terms of sq.m.) with adjustment to the specific property features. The principal assumptions used in the valuations include the estimate of the value of land by built sq.m. under the urban planning scheme, the estimate of betterment tax, the amortization schedule of the estimated delay in availability, size and complexity, joint possession of land and the estimate of costs associated with performing public tasks such as parking area, preservation etc.
 - As for the methodology used to measure the fair value of residential units for rent in Israel, see Note 10a(7) above.

In measuring fair value, the appraisers in Israel mainly used discount rates of 7.04% to 8.46% (2023 – 6.75% to 9%), for residential units for rent in Israel 5.0% to 6.0% (2023 – 5.0% to 5.5%), in Germany 5% to 5.8% (2023 – 5.1% to 5.9%) and in England – 7.5% to 10% (2023 - 7.5% to 9.7%). In measuring fair value of residential units for rent in Israel, the appraiser assumes a 2% real annual increase in rent and in the value of the apartments (2023 – same) and that the occupancy rate in a typical year is 99.5% under supervised rent and 98% under rent in the free market (2023 – same). The investment property under construction is classified as Level 3 in the fair value hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 13:- INVESTMENT PROPERTY (Cont.)

3. Residential units for rent comprise 184 units in Haifa worth approximately NIS 359 million (2023 – NIS 337 million) designated for long-term rent of around 20 years that were constructed by Ashtrom Development and Investment Company Ltd., a subsidiary ("Ashtrom Development"), in the framework of the inter-ministerial tender committee of the Ministry of Finance, the ILA and the Ministry of Construction and Housing.

According to the conditions of the tender, Ashtrom Development will plan and construct the project and thereafter manage it, that is taking care of renting the residential units in the project over the rental period (BOO). 25% of the long-term rental residential units will be rented to eligible tenants according to the Ministry of Housing for supervised rental fee of 80% of the standard rental prices in the market (as determined by the State's assessor), linked to the Israeli CPI. The units will be rented to eligible tenants for a period of 3 years including two extension options, the first for 3 years and the second for 4 years at the end of which the eligible tenants may enter into new rent agreements with Ashtrom Development.

The remaining residential units will be rented without supervision limitation described above. At the time of renewal of the rent with these renters, Ashtrom Development is entitled to increase the rent by up to 5% plus linkage to the Israeli CPI. Renters that enter into unsupervised rent agreements are entitled to rent residential units for 5 years including an option to extend the rent period by additional 5 years at the end of which they may enter into new rent agreements with Ashtrom Development. After the rent period has elapsed, Ashtrom Development is entitled to either sell the residential units that are designated for rent and/or rent all or part of the residential units, at its sole discretion. The construction of the project was completed in Q2 of 2018 and the residential units began to be rented.

4. Residential units for rent comprise 370 units in Gadna project, Tel-Aviv, worth approximately NIS 982 million (2023 – NIS 932 million) designated for long-term rent of 20 years that were constructed by the Company's wholly-controlled limited partnership ("the partnership"), in the framework of the tender of Apartment for Rent - the Governmental Company for Housing and Rental Ltd. ("Apartment for Rent"). The conditions of the rent are like those of the units for rent in Haifa, as elaborated above. In April 2017, the partnership signed an agreement with an institution to finance construction. The carrying amount of the loan as of December 31, 2024 was approximately NIS 440 million. According to the loan agreement, half of the loan will be repaid in quarterly installments from the completion of construction and the other half will be repaid, plus interest, at the end of the lease period. The construction of the project was completed in Q3 of 2021 and the residential units began to be rented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 13:- INVESTMENT PROPERTY (Cont.)

5. Residential units for rent comprise 176 units in HaMishtalah project, Tel-Aviv, worth approximately NIS 567 million (2023 – NIS 559 million) designated for long-term rent of 20 years that were constructed by the Company's wholly-controlled limited partnership ("the partnership"), in the framework of the tender of Apartment for Rent. The conditions of the rent are like those of the units for rent in Haifa, as elaborated above. To finance the investment in the land, in October 2018, the partnership received long-term financing from an institutional entity whose carrying amount as of December 31, 2024 was approximately NIS 315 million. The construction of the project was completed in Q3 of 2023 and the residential units began to be rented.
6. In 2024, Kiryat HaYovel project was classified to investment property, see Note 10a(1).
7. In December 2022, Ashtrom Residential's Board decided to designate 87 residential units in "Agamin" project, Netanya, as long-term rental apartments under the Law for the Encouragement of Capital Investments and in accordance with the Ministry of Economy's guidance. Ashtrom Residential received all necessary regulatory approvals and, accordingly, in 2022 it classified as investment property 54 out of 87 designated residential units, as above, that have begun the marketing process, the construction phase has ended and Form 4 has been obtained for them. Following the above classification, in 2022, the Company recognized a gain of approximately NIS 98 million (including contractual income) in the statement of profit or loss in the item gain from change in designation from inventories to investment property. During 2023, Ashtrom Residential received all necessary regulatory approvals for the remaining 33 designated residential units and, accordingly, these residential units were classified as investment property and in 2023, the Company recognized an additional gain of approximately NIS 57.8 million. The gain was recognized based on a valuation performed by an independent external appraiser. As of December 31, 2024, the fair value of 87 residential units was determined at approximately NIS 280 million and, accordingly, impairment of approximately NIS 3.8 million was recorded.

Fair value is determined using the comparison approach. The working assumption is that the comparison approach is the preferred approach for valuing residential apartments, taking into account sales data of apartments with similar characteristic in the project and nearby projects, with necessary adjustments.

If there is a 5% decrease in the average selling price of a residential unit, the value of the investment property will decrease by approximately NIS 14 million.

In February 2024, Ashtrom Residential signed a credit facility agreement with an institutional entity for NIS 175 million, payable by June 2030 against a pledge of the project in favor of the institutional entity. As of September 30, 2024, the credit facility was fully utilized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 13:- INVESTMENT PROPERTY (Cont.)

8. As for a lease agreement for a building in Tel-Aviv with a subsidiary of the controlling shareholder, see Note 32d(3).

9. Information about fair value:

a) The significant assumptions used by the appraisers in determining the fair value of the investment properties owned by the Group:

	Industrial buildings	Retail centers and office buildings	Residential units for rent	Lands and properties under construction	Total
December 31 2024:					
Fair value (NIS in thousands)	905,849	3,754,726	3,145,629	975,836	8,782,040
Weighted internal rate of return (%)	6.09%	5.12%	2.5%	-	-
Weighted NOI (NIS in thousands)	55,169	192,358	78,654	-	326,181
December 31 2023:					
Fair value (NIS in thousands)	876,607	3,246,386	2,112,435	884,980	7,120,408
Weighted internal rate of return (%)	6.02%	5.91%	2.27%	-	-
Weighted NOI (NIS in thousands)	52,762	191,817	48,051	-	292,630

b) The following table presents the effect of changes in assumptions underlying the fair value measurement of properties on the Group's pre-tax income (loss):

	Industrial buildings	Retail centers and office buildings	Residential units for rent	Total
December 31 2024:				
Gain (loss) resulting from change in assumptions:	(35,834)	(173,020)	(130,333)	(339,187)
Increase of 25 base points in internal rate of return	38,644	194,384	140,343	373,371
Decrease of 25 base points in internal rate of return	45,312	189,865	112,439	347,616
5% increase in internal NOI	(45,260)	(185,814)	(106,763)	(337,837)
5% decrease in internal NOI				
December 31 2023:				
Gain (loss) resulting from change in assumptions:				
Increase of 25 base points in internal rate of return	(35,053)	(128,384)	(92,182)	(255,619)
Decrease of 25 base points in internal rate of return	37,758	141,386	96,364	275,508
5% increase in internal NOI	43,587	162,983	107,238	313,808
5% decrease in internal NOI	(44,047)	(161,710)	(104,165)	(309,922)

As for valuations of residential units for rent, see details in Note 10a(8).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 13:- INVESTMENT PROPERTY (Cont.)

- d. As for charges, see Note 28a.
- e. The fair value is classified as Level 3 in the fair value hierarchy.

NOTE 14:- INVESTEEES

- a. Composition of investment in associates:

	December 31, 2024	December 31, 2023
Investment	1,314,251	1,212,147
Non-current loans and debts granted (1)	847,885	732,643
Loans received (2)	(32,186)	(30,529)
Total	2,129,950	1,914,261

- (1) Below is the composition of non-current loans and debts granted:

	Weighted interest rate (%)	December 31, 2024	December 31, 2023
Unlinked	5.46	646,676	537,618
Linked to the Israeli CPI	3.5	178,090	173,615
In Euro	3.97	23,119	21,410
Total		847,885	732,643

The maturity dates for the loans have not yet been determined.

- (2) Below is the composition of loans received:

	Weighted interest rate (%)	December 31, 2024	December 31, 2023
Unlinked and bearing interest	3	(5,341)	(5,684)
Unlinked and interest free	-	(26,845)	(24,845)
Total		(32,186)	(30,529)

The maturity dates for the loans have not yet been determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 14:- INVESTEEES (Cont.)

b. Movement in 2024:

Balance at beginning of the year	1,914,261
Increase in loans with associates, net	66,349
Dividend received	(13,413)
Group's share of earnings of associates	114,050
Revaluation of loans to associates, net	34,496
Adjustments arising from translating financial statements of foreign operations	(4,793)
Investment in associate due to deconsolidation	19,611
Sale of investment in associate	(3,111)
Investment in associates	1,000
Other	1,500
Balance at end of the year	<u><u>2,129,950</u></u>

c. Summarized financial information of subsidiaries with material non-controlling interests:

Information of non-controlling interests:

Balances of non-controlling interests:

	December 31, 2024	December 31, 2023
Ashtrom Properties (in respect of subsidiaries)	208,690	186,244
Other	21,704	22,164
Total	<u><u>230,394</u></u>	<u><u>208,408</u></u>

Income (loss) attributable to non-controlling interests:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Ashtrom Properties	31,371	7,677	33,648
Other	320	(643)	(531)
Total	<u><u>31,691</u></u>	<u><u>7,034</u></u>	<u><u>33,117</u></u>

Amounts of dividends from subsidiaries paid to non-controlling interests:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Ashtrom Properties	15	1,117	623
Other	-	-	5,438
Total	<u><u>15</u></u>	<u><u>1,117</u></u>	<u><u>6,061</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 14:- INVESTEEES (Cont.)

d. Additional information:

1. Blue Marina Ltd.:

The Company, through Ashtrom Residential and Ashtrom Properties, owns 75% of the share capital of Blue Marina Ltd. ("Blue Marina").

Blue Marina owns lease rights to land in Ashdod for different types of hotels, retail space and offices and it operates a marina for watercrafts.

The Company gave loans for the share of a shareholder that holds 25% of Blue Marina's share capital which, as of the reporting date, totaled approximately NIS 120 million (2023 – approximately NIS 111 million). An impairment loss of approximately NIS 64 million (2023 – approximately NIS 62.9 million) was recognized in the financial statements in respect of these loans. Due to the expected completion of the works in the project in 2025, the Company anticipates repayment of these loans in the same year. The loans are unlinked with an interest rate of 4.43% in 2024 (2023 - 2.9%). Additionally, the Company issued guarantees of NIS 16.5 million to Blue Marina for the share of that shareholder in Blue Marina's liabilities.

2. On July 19, 2022, Ashtrom Industries Ltd. (the Company's wholly-owned subsidiary) entered into an agreement to purchase of 50.01% of the share capital of STUDS P.O.W.E.R Ltd. ("STUDS") which manufactures, markets and sells supplies for the construction industry for approximately NIS 52 million (including an owners' loan). The parties have mutual call/put options for the purchase/sale of the remaining shares at the end of 36 months based on certain P/E ratios as determined in the agreement.

On July 7, 2023, Ashtrom Industries purchased another 10% of the shares of STUDS for NIS 6 million and provided it another owners' loan of NIS 3 million. Following this purchase, Ashtrom Industries holds 60.01% of the share capital of STUDS and, therefore, the Company consolidates STUDS' financial statements from this date. As stated in the original agreement, the parties have mutual call options for additional purchase of the remaining shares based on predetermined P/E ratios.

For the purpose of performing the PPA of the STUDS shares, the Company hired an external appraiser to perform a valuation of the net identifiable assets of STUDS as of the acquisition date. Based on the valuation, in 2023, the Company recognized a gain of approximately NIS 12.8 million from the initial consolidation of STUDS which was carried to other income in the statement of profit or loss. The difference between the value of the shares owned and the acquired carrying amount of approximately NIS 52 million was allocated as follows: NIS 24 million to customer relations, NIS 34 million to goodwill and NIS 6 million to deferred taxes. In contrast, an amount of approximately NIS 20 million was carried against a liability to purchase the remaining shares of STUDS based on the option terms. As of December 31, 2023, the appraiser valued goodwill at NIS 21 million and liability at NIS 5 million. The liability amounted to approximately NIS 9 million in 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 14:- INVESTEEES (Cont.)

3. On June 8, 2023, Ashtrom Industries Ltd. signed an agreement according to which Ashtrom Industries acquires from Har Tov, a limited partnership, shares of Zalfon Quarries Ltd. ("Zalfon") in an all-inclusive transaction. In addition, Ashtrom Industries will be allocated additional shares in Zalfon for investing in Zalfon and Ashtrom Industries will be allocated additional shares for transferring 25% of its shares in the quarry's operating company (Sorek Quarrying Ltd.) to Zalfon. After the completion of the all-inclusive transaction, Ashtrom Industries will hold 50% of the issued and outstanding share capital of Zalfon and Zalfon will hold 75% of Sorek Quarrying Ltd. In addition, as part of the agreement, consideration was determined which is contingent on the enhancement of land held by Zalfon. The transaction was closed in October 2023. 2023. As per an amendment to the agreement, the consideration remitted included NIS 125 million to Har Tov partnership for the purchase of Zalfon shares and NIS 20 million to Zalfon for the allocation of the shares. In addition, NIS 10 million were remitted to Har Tov as an advance on account of the enhancement of land. The investment was mainly financed by a long-term loan of NIS 150 million from a bank. As a result of transferring the shares of the operating company, as above, in 2023, the Company recorded a gain of approximately NIS 12.7 million. The difference between the value of the shares owned and the acquired carrying amount of approximately NIS 154 million was allocated to the quarrying license in the quarry and to the value of the land following the end of the quarrying period.
4. After the reporting date, on March 4, 2025, Sorek Quarrying Ltd. won a tender of the Israel Land Authority to operate Hanaton quarry. The tender amount is approximately NIS 223 million, payable in three installments: 50% within three months of the award date; 25% within 4 years and 25% within 6 years. The operating license is for 20 years from the award date.
5. 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 Hutzot HaMifratz Ltd.:

	December 31, 2024	December 31, 2023
Current assets	23,660	17,894
Non-current assets	1,667,577	1,505,672
Current liabilities	21,797	30,198
Non-current liabilities	627,726	586,665
Equity attributable to equity holders of the company	1,041,714	906,703
Share of equity in the associate	50%	50%
Excess cost	7,002	7,002
Carrying amount of investment in associate	527,859	460,354

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 14:- INVESTEEES (Cont.)

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Revenues	86,816	79,489	73,925
Gross profit	77,334	69,462	64,533
Appreciation (impairment) of investment property	122,305	45,162	181,071
Net income	135,011	70,369	173,743
Share of results in the associate	50%	50%	50%
Adjustments for excess cost	-	-	-
Company's share of earnings of associate	67,506	35,185	86,872

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 for this company.

NOTE 15:- OTHER RECEIVABLES AND INVESTMENTS

a. Composition:

	December 31, 2024	December 31, 2023
Investment in shares of a wind energy project in Poland (1)	119,847	131,603
Bank deposits (2)	77,375	82,084
Loans:		
To partner in joint venture (3)	38,510	33,591
To landowners	6,100	6,100
To shareholder in associate (4)	-	19,731
To others	48,249	36,889
Other investments	11,958	27,730
Total	302,039	337,728

b. Additional information:

(1) Investment shares of a wind energy project in Poland:

The Company holds 10.84% of the shares of Zephyrus Wing Energies Ltd. ("Zephyrus") and share options. Zephyrus is traded on the TASE and it owns the rights to a project to develop, build and operate a wind farm for generating electricity in Poland. The Company's investment in Zephyrus' shares and options is measured at the market value and classified as level 1 in the fair value hierarchy. In 2024, the Company recognized finance expenses of approximately NIS 20 million due to an investment impairment (2023 - finance income of approximately NIS 20 million from investment appreciation).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NIS in thousands**

NOTE 15:- OTHER RECEIVABLES AND INVESTMENTS

- (2) The balance includes a restricted bank deposit of NIS 20,945 thousand (2023 – NIS 20,284 thousand) and bank deposits to secure the fund for renovation of rental buildings and apartments of NIS 41,965 thousand (2023 – NIS 28,003 thousand). The balance also includes U.S. dollar deposits totaling NIS 14,307 thousand (2023 – NIS 33,228 thousand) in banks, of which an amount of approximately NIS 13.3 million serves as collateral provided by the Company to banks that finance two projects in which a subsidiary acted as a prime contractor.
- (3) Ashtrom Residential's share of the amount due by the partner in a joint venture. During the reporting period, interest income of NIS 2.9 million (2023 – NIS 1.6 million) was recorded.
- (4) Amount due by a partner in Hashaked project, Kiryat Ono, see Note 9b(9) regarding the repayment of the loan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 16:- PROPERTY, PLANT AND EQUIPMENT, NET

a. Composition and movement:

	Land and buildings (c)	Hotel (d)	Machinery and equipment	Motor vehicles	Office furniture and equipment	Leasehold improvements	Right-of- use assets	Solar installation (e) (f)	Total
2024									
Cost:									
Balance at January 1, 2024	989,092	106,844	482,475	41,540	87,706	47,684	331,454	1,164,539	3,251,334
Additions during the year	30,265	-	20,144	4,912	9,930	4,363	-	479,928	549,542
Revaluation to fair value	26,530	3,071	-	-	-	-	-	-	29,601
Additions for new contracts, IFRS 16	-	-	-	-	-	-	16,940	-	16,940
Capitalization of financing to property under construction	-	-	-	-	-	-	-	73,903	73,903
Adjustments arising from translating financial statements of subsidiaries	(40)	(5,392)	(3,603)	(215)	(416)	-	210	(2,477)	(11,933)
Disposals during the year	(29,453)		(13,145)	(2,713)	(640)	(10,753)	(96,792)	-	(153,496)
Balance at December 31, 2024	1,016,394	104,523	485,871	43,524	96,580	41,294	251,812	1,715,893	3,755,891
Accumulated depreciation:									
Balance at January 1, 2024	58,417	7,929	339,515	22,837	40,565	19,154	98,994	10,693	598,104
Additions during the year	10,804	3,071	21,577	5,188	10,543	3,094	37,904	30,904	123,085
Adjustments arising from translating financial statements of subsidiaries	(32)	(1)	(4,666)	(204)	(303)	-	262	(862)	(5,806)
Disposals during the year	(160)	-	(12,415)	(2,140)	(248)	(2,849)	(67,514)	-	(85,326)
Balance at December 31, 2024	69,029	10,999	344,011	25,681	50,557	19,399	69,646	40,735	630,057
Depreciated cost at December 31, 2024	947,365	93,524	141,860	17,843	46,023	21,895	182,166	1,675,158	3,125,834
Includes:									
Lands and buildings on freehold land	744,419								
Lands and buildings on leasehold land	202,946								
Total	947,365								

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 16:- PROPERTY, PLANT AND EQUIPMENT, NET (Cont.)

	Land and buildings (c)	Hotel (d)	Machinery and equipment	Motor vehicles	Office furniture and equipment	Leasehold improvements	Right-of- use assets	Solar installation (e) (f)	Total
2023									
Cost:									
Balance at January 1, 2023	937,910	97,128	463,395	33,575	75,504	36,290	176,885	149,721	1,970,408
Additions during the year	32,670	-	16,303	8,887	12,297	11,546	-	1,049,801	1,131,504
Revaluation to fair value	18,437	3,252	-	-	-	-	-	-	21,689
Additions for new contracts, IFRS 16	-	-	-	-	-	-	142,909	-	142,909
Additions for initially consolidated companies	-	-	10,863	1,616	501	217	28,052	-	41,249
Adjustments arising from translating financial statements of subsidiaries	230	6,464	(7,144)	(410)	246	-	1,028	(34,983)	(34,569)
Disposals during the year	(155)	-	(942)	(2,128)	(842)	(369)	(17,420)	-	(21,856)
Balance at December 31, 2023	989,092	106,844	482,475	41,540	87,706	47,684	331,454	1,164,539	3,251,334
Accumulated depreciation:									
Balance at January 1, 2023	47,855	4,589	322,799	19,329	32,617	16,849	74,570	9,458	528,066
Additions during the year	10,547	3,252	23,122	5,015	8,357	2,458	27,660	1,235	81,646
Adjustments arising from translating financial statements of subsidiaries	170	88	(8,174)	(377)	125	-	893	-	(7,275)
Additions for initially consolidated companies	-	-	2,710	839	308	53	13,291	-	17,201
Disposals during the year	(155)	-	(942)	(1,969)	(842)	(206)	(17,420)	-	(21,534)
Balance at December 31, 2023	58,417	7,929	339,515	22,837	40,565	19,154	98,994	10,693	598,104
Depreciated cost at December 31, 2023	930,675	98,915	142,960	18,703	47,141	28,530	232,460	1,153,846	2,653,230
Includes:									
Lands and buildings on freehold land	747,406								
Lands and buildings on leasehold land	183,269								
Total	930,675								

- b. The Company applies the revaluation model for land and buildings. The fair value of land and buildings has been determined based on valuations performed by an independent external appraiser with reference to recent transactions for similar properties. Appreciation is classified to revaluation reserve net of the tax effect.
- c. Since October 2022, the Company's offices are located in the LYFE project, Bnei Brak, which the Company acquired from Ashtrom Properties and Dan, who established the project. As of December 31, 2024, an external appraiser valued the carrying amount of the offices at approximately NIS 256 million (2024 - same).
- d. A hotel in Belgrade, Serbia with 125 rooms whose construction was completed in March 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 16:- PROPERTY, PLANT AND EQUIPMENT, NET (Cont.)

- e. Investments in renewable energy projects in the U.S.:

Following the memorandum of understanding signed on August 5, 2021 regarding the agreement of the Company's wholly-owned private company and Kenlov Renewable Energy Ltd. to establish an equally owned joint venture ("the venture") for the investment in renewable energy projects in the U.S., on November 10, 2021, an investment and cooperation agreement was signed between the venture and an entrepreneurial company specializing in initiating solar projects in the U.S. ("the entrepreneur") to initiate and establish solar projects in the U.S. through special purpose companies held by the venture ("SPCs") and to acquire four projects approved by the venture.

According to the agreement with the entrepreneur, the venture will acquire from the entrepreneur projects under development that meet the investment criteria agreed by both parties ("approved projects"), and the entrepreneur will provide development services only to the venture (and to the SPCs, as above) up until financial closing. In return for development services, the entrepreneur is entitled to a fixed payment based on an agreed key per megawatt under development as well as a success fee based on a mechanism agreed by both parties for each project that reaches the construction readiness level. The venture will cover the development costs of the projects based on an agreed budget for development. According to the agreement, the entrepreneur agreed to offer the venture exclusivity for a period of three years for any project the entrepreneur would develop and the venture could approve or reject it.

In conjunction with the signing of the investment agreement, described above, the venture completed the acquisition of four projects in various stages of development with a cumulative capacity of around 1,100 megawatts (MWDC). Most of these projects, which have a cumulative capacity of 900 megawatts (MWDC), are located in Texas. After the acquisition of the first four projects, the projects were added to the subsidiary's backlog of projects (based on its proportionate holdings in these projects). The investment agreement and the purchase agreement contain representations that are standard for such agreements, which are restricted in duration and scope and in line with the agreed upon terms.

On November 3, 2022, the U.S. subsidiary, that is wholly-owned by the Company's wholly-owned private company, purchased from Kenlov all of its interests, investments and liabilities in the venture (accounting for 50% of the venture) and, as a result, in its SPCs at a price that is considered negligible to the Company. Following the completion of the purchase, the U.S. subsidiary wholly owns the venture and all its SPCs.

Tierra Bonita project:

On September 21, 2022, one of the SPCs, which holds the Tierra Bonita project ("Greasewood II" and "Tierra Bonita project", respectively), entered into a first power purchase agreement ("PPA") with San Antonio Municipality through the municipal electric company ("CPS"). The construction of the project began in January 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 16:- PROPERTY, PLANT AND EQUIPMENT, NET (Cont.)

On September 28, 2023, Greasewood II signed an agreement to sale tax credits in respect of the project's energy production in an aggregate of approximately \$ 300 million over a period of ten years. In addition, on September 28, 2023, Greasewood II signed project financing agreements with a group of lenders for receiving a total of approximately \$ 270 million. The loan bears SOFR interest plus a margin ranging between 2% and 2.75%. According to the financing agreement, the lenders provided the project company with a credit of approximately \$ 270 million and a guarantee facility of approximately \$ 30 million in the form of nonrecourse project financing during the construction period and which will be converted into a loan for up to five years. To secure the project company's representations and warranties in connection with the agreement to sale tax credits, the Company provided a parent's guarantee of approximately \$ 170 million.

In Q3 of 2023, additional bank financing was received for the project in the total of \$ 25 million (approximately NIS 91 million).

Upon signing the financing agreement, Greasewood II together with American entities also signed a transaction to hedge 75% of the interest payments that will be due after the completion of the construction of the Tierra Bonita project. The Company designated the hedging transaction to hedge the interest payments on the loan. The hedging transaction is classified as level 2 in the fair value hierarchy. The Company accounts for the transaction as cash flow hedge of forecasted transaction. Accordingly, changes in the fair value of the hedging transaction are recognized in the Company's other comprehensive income. As of December 31, 2024, the hedging transaction was valued at a negative amount of approximately NIS 10,547 thousand (2023 - NIS 50,492 thousand) which was recorded in other comprehensive income against other long-term liabilities.

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. On October 7, 2024, the Company received the necessary approvals that were a suspending condition for the project's transition to the commercial operation phase, as specified in the PPA agreement with CPS, which is rated AA2 by Moody's. According to the agreement, CPS committed to buying about 60% of the electricity generated by the project (equivalent to around 240 MW installed capacity (MWDC)) along with the respective renewable energy certificates (REC's) at a fixed price for 20 years. The project is expected to sell the remaining electricity generated, about 160 MW installed capacity (MWDC) along with the respective renewable energy certificates (REC's), on the open market in Texas (ERCOT).

It is clarified that the achievement of this milestone satisfied a suspending condition, as stipulated in the financing agreement with project lenders. Accordingly, after the reporting date, on January 23, 2025, all the required conditions were met and a loan of \$ 270 million was provided for a period of 5 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 16:- PROPERTY, PLANT AND EQUIPMENT, NET (Cont.)

To the Company's knowledge, San Antonio is the seventh largest city in the U.S. (by population) and CPS is the largest municipal electric utility in the U.S., serving over 900,000 customers in the electricity sector. CPS debt is rated AA2 by Moody's.

As of December 31, 2024, the carrying amount of the investment in the project was approximately NIS 1,650 million (2023 - approximately NIS 1,100 million) (including the development commission to the developer as agreed and described above).

As of December 31, 2024, the remaining loan amount of approximately \$ 270 million (approximately NIS 985 million) under the agreement was fully received (2023 - approximately \$ 145 million (approximately NIS 520 million)).

After the reporting date, on March 3, 2025, the Company's wholly-owned subsidiaries entered into an investment agreement with two institutional entities. Under this agreement, the two institutional entities will be allocated about 36% of Tierra Bonita Partners LLC ("the asset company"), which indirectly holds all rights in the Tierra Bonita project, in consideration of an investment of approximately \$ 79 million in the asset company. This investment reflects a value of approximately \$ 220 million for the asset company. It is clarified that upon completion of the agreement, the asset company will distribute a dividend in the consideration amount (i.e., \$ 79 million) solely to the subsidiary (a company wholly-owned by the Company through the chain). According to the terms of the agreement, the transaction will be completed no later than June 26, 2025 (after which date the parties will have the option to cancel, unless the parties agree to extend it) and is subject to the fulfillment of certain suspending conditions stipulated in the agreement. The agreement contains representations customary in agreements of this type, as well as certain obligations to indemnify the institutional entities. Upon completion of the agreement, a shareholders' agreement will come into effect that regulates the relations between the subsidiary and the institutional entities as holders of the asset company. This includes protection rights for the institutional entities as minority holders of the asset company, as well as provisions regarding restrictions on change in holdings in the asset company (such as tag-along, drag-along clauses). The agreement also includes indemnification for the institutional entities regarding their share of the company if a guarantee that the company provided for the project is forfeited, and instructions regarding the mechanism for shareholders to provide additional financing to the asset company for the project. The difference between the consideration and the Company's share of the asset company's equity will be reported in capital reserve for transactions with non-controlling interests.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 16:- PROPERTY, PLANT AND EQUIPMENT, NET (Cont.)*El Patrimonio project:*

In February 2023, another SPC, which holds the El Patrimonio project, entered into a first power purchase agreement ("PPA") with San Antonio Municipality through the municipal electric company. According to the agreement, San Antonio's municipal electric company will purchase about 70% of the electricity generated by the project over a period of 20 years. It should be noted that the agreement includes a development period during which the SPC may disclose the agreement's existence and its terms and the electric company retains the option to announce the cancellation of the agreement, subject to the conditions specified therein.

After the reporting date, on February 18, 2025, all the suspending conditions for the PPA were met. With the signing of the parties on the agreement's final terms (including, among others, deadlines for completion and connection of the project to the electric grid), the PPA agreement became effective ("the agreement").

The El-Patrimonio project is a solar project with a planned capacity of some 195 MWDC to be constructed in Texas, U.S. ("the project"). The project is in advance stages of development and nearing construction with significant milestones in its development already achieved, including securing key land rights and signing a grid interconnection agreement (GIA). The project company is currently finalizing the licensing processes and obtaining construction permits to enable the commencement of construction of the project. Based on the Company's assessment, the completion of the project's development processes and the commencement of construction works will take place in H1 of 2025 with commercial operation anticipated in H2 of 2027.

According to the agreement, CPS will buy about 70% of the electricity generated by the project along with the respective renewable energy certificates (REC's) at a fixed price for 20 years. CPS has also an option to increase its purchase of the project's electricity and the respective renewable energy certificates from the project company up to 100% of the project's electricity and the respective renewable energy certificates, at rates specified in the agreement. As part of the agreement, the project company committed to achieving commercial operation of the project by Q2 of 2027 and to provide guarantees customary in agreements of this type. The remaining electricity generated by the project (if the option specified above is not exercised) will be sold on the open electricity market in Texas (ERCOT) and the remaining renewable energy certificates (if the option specified above is not exercised) will be sold on the free market. The project's estimated life is 40 years. According to the Company's estimates, revenues from the project over its life are expected to total approximately \$ 1.2 billion (including electricity sales component, other revenue from sale of tax credits and sale of the project's renewable energy certificates).

Simultaneously with the PPA taking effect, the Company is negotiating with banks to finance the construction of the project.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 16:- PROPERTY, PLANT AND EQUIPMENT, NET (Cont.)

It is empathized that, due to the early stages of the project, there is no certainty regarding the completion of development processes, securing financing for construction or achieving financial closing, all of which will occur after the completion of its development stage.

f. Investments in renewable energy projects in Greece:

On October 11, 2022, a subsidiary, through its wholly-controlled corporation, signed agreements with a Greek corporation which is a third party that is unrelated to the Company and/or to its controlling shareholders, specializing in initiating and developing projects for generating and supplying electricity by photovoltaic systems and wind energy power in Greece ("the Greek development partner") for the purchase and development of a portfolio of solar projects in Greece containing five projects in varying stages of development. In addition, the subsidiary, through its wholly-controlled corporation, signed an additional agreement with the Greek development partner according to which, in the future, the subsidiary will be entitled to acquire several other photovoltaic projects owned by the Greek development partner that are currently in advance stages of development.

The Company decided to terminate its agreement with the Greek development partner in connection with the development, construction and operation of solar projects in Greece and to discontinue its energy operations in Greece due to economic unviability. Consequently, during the reporting period, the Company wrote down the remaining investments in the projects by approximately NIS 14 million.

g. As for charges, see Note 28a.

NOTE 17:- INTANGIBLE ASSETS AND GOODWILL

	December 31, 2024	December 31, 2023
Concession arrangement - Ben Gurion Dorms, Note 11(4)	16,995	17,856
Goodwill (1) (2) (3)	38,254	38,254
Customer relation (2) (3)	23,779	30,029
Total	79,028	86,139

(1) An amount of NIS 11,712 thousand related to the acquisition of paint manufacturing activity for the construction sector.

(2) Goodwill of NIS 5,254 thousand and customer relation of NIS 3,408 thousand (2023 - NIS 6,179 thousand) related to the acquisition of Y. Zahavi Flooring Industry Ltd.

(3) Goodwill of NIS 21,288 thousand and customer relation of NIS 20,371 thousand (2023 - NIS 23,660 thousand) related to the acquisition of STUDS. See Note 14d(3).

As of December 31, 2024, the Company tested the impairment of goodwill. Since the recoverable amount exceeded the carrying amount and given the fact that there were no events or ongoing changes in circumstances, the Company did not recognize an impairment loss of goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 18:- CREDIT FROM BANKS AND INSTITUTIONAL ENTITIES

a. Credit from banks:

	Annual interest rate (%)	December 31, 2024	December 31, 2023
Overdrafts:			
In NIS		80	3,403
Loans:			
Unlinked	Prime+0.6-1.1	686,891	755,330
Pound (Note 13b)	SONIA+3.5	230,824	-
Total		917,795	758,733

b. Loans from institutional entities:

	Annual interest rate (%)	December 31, 2024	December 31, 2023
Unlinked loans (1) (2)	BOI+0.5-0.65	400,000	550,000

(*) As of December 31, 2024, the Prime interest rate is 6.0% (2023 – 6.25%).

- On July 6, 2023, the Company's Board approved the issuance of commercial paper (series 2) worth NIS 200 million ("the CPs"). The CPs bear annual interest at the Bank of Israel rate plus 0.7%. Each buyer can shorten the term of the CPs by giving a written notice 7 business days in advance. It is also possible for the Company to redeem the CPs in full or in part by giving a written notice 7 business days in advance. No collateral was provided and no financial covenants were established for the CPs. The contractual repayment date of the CPs is scheduled for July 5, 2024. Despite the foregoing, the Company may be entitled, at its discretion, to notify the buyers of the CPs before the above date of its intention to renew the CPs at the end of the first period under the same terms. Upon receipt of the above notice from the Company, and no later than 7 business days before the principal repayment date, the holders of the CPs will inform the Company if they wish to renew for an additional year. The instructions for renewing the CPs for additional periods of one year will also apply at the end of the first period and so on at the end of each additional period until July 5, 2028. On June 5, 2024, the margin for the annual interest rate for commercial paper (series 2) was updated to 0.5%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 18:- CREDIT FROM BANKS AND INSTITUTIONAL ENTITIES (Cont.)

2. The carrying amount as of December 31, 2024 also includes CPs worth NIS 200 million (2023 - NIS 350 million) that were issued by Ashtrom Residential to institutional entities. As of December 31, 2023, the CPs bear annual interest at the Bank of Israel rate plus 0.65% and are repayable upon demand within 7 days by either party. In January 2024, the repayment dates of the principal were revised, meaning it will now be repaid in one installment on January 11, 2025, unless renewed, subject to Ashtrom Residential's approval, for up to four more periods of one year each until January 10, 2029. In October 2024, Ashtrom Residential repaid CPs worth NIS 150 million. After the reporting date, in January 2025, the margin for the annual interest rate was updated to 0.45% and the CPs was renewed for another year.
3. As for an undertaking to meet financial covenants, see Note 24h.
4. As for collaterals, see Note 28.

NOTE 19:- CURRENT MATURITIES OF NON-CURRENT LIABILITIES

	See Note	December 31, 2024	December 31, 2023
From banks	24	337,657	569,793
From debentures	24	800,248	1,026,994
From institutional entities	24	70,890	40,850
Total		1,208,795	1,637,637

NOTE 20:- SUBCONTRACTORS AND TRADE PAYABLES

	December 31, 2024	December 31, 2023
Open accounts	660,256	650,915
Commitment to develop land (Note 9b(3))	32,260	42,500
Notes payable	17,361	12,002
Provision for completion of work, warranty and claims of construction defects	225,508	185,474
Current maturities of lease liabilities (Note 24j)	37,551	40,590
Total	972,936	931,481

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 21:- LIABILITY FOR COMBINATION TRANSACTIONS

	December 31, 2024	December 31, 2023
Hashaked project, Kiryat Ono (1)	171,342	-
Charleston project, Tel-Aviv (2)	111,541	-
Zikhron Ya'akov project, Tel-Aviv (2)	33,278	-
New Krinizi project, Ramat Gan (3)	20,594	-
Ashdar Tagor project	9,711	21,657
Monoson project	-	172
Other National Master Plan 38 projects (4)	56,159	94,623
Total	402,625	116,452

- (1) In the framework of demolition and construction project of Hashaked project, Kiryat Ono in 2024, Ashtrom Residential recognized a liability of approximately NIS 171 million to render construction services against inventories of buildings.
- (2) In the framework of National Master Plan 38 in two projects in Tel-Aviv, in 2024, Ashtrom Residential recognized a liability of approximately NIS 145 million to render construction services against inventories of buildings.
- (3) In the framework of combination transaction type proceeds in New Krinizi project, Ramat Gan, in 2024, Ashtrom Residential recognized a liability of approximately NIS 21 million to render construction services against inventories of buildings.
- (4) As of December 31, 2024, the carrying amount includes liabilities to render construction services to 6 National Master Plan 38/2 projects (demolition and construction) in Tel-Aviv, Herzliya and Ramat Gan that are in different stages of completion.

Additional information:

1. Since the combination transactions include multiple suspending conditions, and since a considerable amount of time passes from the date of the legal engagement with the landowners until the commencement of the projects, and changes may occur to the combination rates, the Company reflects the assets and liabilities to the landowners as detailed above only for transactions in which land has been taken into possession.
2. The liability for in-kind combination transaction (including demolition and construction and National Master Plan 38 projects) is derecognized based on the progress of construction. The liability for combination transaction type proceeds (including the liability to pay rent to evacuated residents in demolition and construction transactions and National Master Plan 38 projects) is derecognized based on the payment to the landowners.
3. The Company expects that an amount of approximately NIS 271 million from the balance of liabilities for combination transactions will be used after more than 12 months from the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 22:- ADVANCES FROM CUSTOMERS AND BUYERS OF APARTMENTS AND REAL ESTATE

	December 31, 2024	December 31, 2023
Advances for sale of residential apartments and office space	59,990	67,322
Advances from buyers of real estate in Blue Marina (1)	-	58,902
Liability for construction contracts	64,574	69,811
Total	124,564	196,035

(1) See Note 7(2).

NOTE 23:- OTHER ACCOUNTS PAYABLE

	December 31, 2024	December 31, 2023
Salaries and payroll accruals	75,078	66,977
Accrued vacation	26,438	25,926
Accrued interest	87,022	86,291
Advances from customers	39,778	36,138
Government ministries	64,390	65,031
Tenants' deposits	21,170	17,055
Deferred revenues	18,106	26,141
Partners in joint ventures	3,367	22,262
Shareholders and related parties	1,991	1,067
Other and accrued expenses	76,865	66,335
Total	414,205	413,223

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES

a. Composition:

December 31, 2024	Weighted interest rate (%)	Carrying amount	Carrying amount less current maturities
Loans from banks (c)		4,867,043	4,529,386
Debentures - Ashtrom Group: (d)			
Debentures (series A)	2.4	77,192	-
Debentures (series B)	4.2	120,515	-
Debentures (series C)	4.3	899,352	701,551
Debentures (series D)	0.75	1,496,686	1,397,093
Debentures (series E)	4.08	360,224	342,597
Debentures - Ashtrom Properties Ltd.: (d)			
Debentures (series 9)	4.9	377,343	301,701
Debentures (series 10)	3.46	409,036	289,639
Debentures (series 11)	1.83	223,419	208,454
Debentures (series 12)	1.53	538,703	507,839
Debentures (series 13)	0.9	461,836	415,184
Debentures (series 14)	3.68	453,522	453,522
Total debentures		5,417,828	4,617,580
Loans from institutional entities (h)		2,499,383	2,428,493
Total		12,784,254	11,575,459

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

December 31, 2023	Weighted interest rate (%)	Carrying amount	Carrying amount less current maturities
Loans from banks (c)		4,584,592	4,014,799
Debentures - Ashtrom Group: (d)			
Debentures (series A)	2.4	148,850	74,685
Debentures (series B)	4.2	240,500	120,587
Debentures (series C)	4.3	1,096,603	899,763
Debentures (series D)	0.75	1,541,583	1,447,119
Debentures (series E)	4.08	347,719	347,719
Debentures - Ashtrom Properties Ltd.: (d)			
Debentures (series 9)	4.9	446,669	371,027
Debentures (series 10)	3.06	510,255	394,813
Debentures (series 11)	1.83	230,153	215,683
Debentures (series 12)	1.53	439,271	415,730
Debentures (series 13)	0.9	445,487	445,487
Debentures (series 14)	3.68	240,808	240,808
Debentures - Ashtrom Residential Development Ltd. (d)			
Debentures (series D)	4.2	88,858	-
Debentures (series E)	3.42	223,659	-
Total debentures		6,000,415	4,973,421
Loans from institutional entities (h)		2,020,641	1,979,791
Total		12,605,648	10,968,011

b. Maturity dates after the reporting date as of December 31, 2024:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Total
Loans from banks	337,657	2,737,451	519,846	101,508	246,122	924,459	4,867,043
Debentures	800,248	844,661	867,405	952,372	1,681,141	272,001	5,417,828
Loans from institutional entities	70,890	533,627	102,177	104,368	281,064	1,407,257	2,499,383
Total	1,208,795	4,115,739	1,489,428	1,158,248	2,208,327	2,603,717	12,784,254

Maturity dates after the reporting date as of December 31, 2023:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Total
Loans from banks	569,793	2,100,502	1,029,864	127,084	63,109	694,240	4,584,592
Debentures	1,026,994	780,527	809,387	828,260	913,590	1,641,657	6,000,415
Loans from institutional entities	40,850	41,825	42,996	451,104	47,619	1,396,247	2,020,641
Total	1,637,637	2,922,854	1,882,247	1,406,448	1,024,318	3,732,144	12,605,648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

- c. Interest rates and linkage terms of loans from banks are as follows:

	Annual interest rate (%) at December 31, December 31, December 31, 2024 2024 2023		
Linked to the Israeli CPI	2.51	64,431	64,885
In U.S. dollars	6.22-6.99	1,043,517	593,428
Unlinked	3.64-7.7	2,702,096	2,796,900
In Euro	3.9-5.8	544,480	613,017
In Pound	7.5-10	512,519	516,362
Total		4,867,043	4,584,592

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

d. Composition of debentures:

Debenture series	Issued par value	Outstanding par value December 31, 2024	Outstanding par value December 31, 2023	Linkage basis	Stated annual interest rate (%)	Principal maturity periods	Principal maturity dates	Additional information
The Company:								
A	603,074	67,062	134,063	CPI	2.4%	18 semiannual installments	May 10, 2017-Nov 10, 2025	e
B	1,207,072	120,707	241,414	Unlinked	4.2%	10 annual installments	May 10, 2016-May 10, 2025	e
C	1,777,556	908,293	1,110,135	Unlinked	4.3%	20 semiannual installments	July 15, 2019-Jan 15, 2029	e
D	1,538,959	1,423,537	1,538,959	CPI	0.75%	6 uneven annual installments	Dec. 12, 2024-Dec. 31, 2029	e
E	350,000	350,000	350,000	CPI	4.08%	8 uneven annual installments	Dec. 12, 2025-Dec. 31, 2032	e
Ashtrom Properties:								
9	718,824	378,213	453,855	Unlinked	5.3%	15 uneven annual installments	Oct 1, 2015-Oct 1, 2029	f(2)
10	619,721	349,171	451,867	CPI	3.46%	10 uneven annual installments	Jan 1, 2019-Jan 1, 2028	f(2)
11	260,000	195,000	208,000	CPI	1.83%	9 uneven annual installments	Jan 1, 2019-Jan 1, 2028	f(3)
12	520,000	473,616	394,724	CPI	1.53%	11 uneven annual installments	July 1, 2021-July 1, 2029	f(4), f(7)
13	415,000	415,000	415,000	CPI	0.9%	6 uneven annual installments	Dec. 31, 2025-Dec. 31, 2030	f(5)
14	443,667	443,667	243,667		3.68%	8 uneven annual installments	Dec. 31, 2026-Dec. 31, 2033	f(6), f(7)
Ashtrom Residential:								
D	631,020	-	88,854	Unlinked	4.2%	15 semiannual installments	July 1, 2017-July 1, 2024	g
E	371,753	-	223,052	Unlinked	3.42%	See g(4)	See g(4)	g

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

e. Additional information about the debentures of the Company:

1. The debentures are not secured by a charge and have been rated by Maalot as ilA/Stable for the Company and as ilA for the debentures. On November 27, 2024, Maalot revised the Company's rating to ilA/Negative, citing the risk of continued deviation from appropriate rating relationships appropriate in the Company's operating segments.
2. Liabilities pursuant to the deeds of trust of debentures (series A) and debentures (series B):

According to the deed of trust of the debentures in any event that the Company does not meet the financial covenants detailed below and/or the restrictions on making any distribution as specified below, it will not enter any extraordinary new transactions with the controlling shareholder therein or with any other person in which the controlling shareholder has personal interest whose scope exceeds 5% of the Company's balance sheet.

The trustee of the debentures will be entitled to place the unsettled balance of the debentures for immediate repayment upon the occurrence of certain events as follows:

- a) Placement for immediate repayment of a material debt (whose carrying amount exceeds 10% of the Company's equity including non-controlling interests) which is not a non-recourse debt, by a creditor of the Company.
- b) If the Company fails to meet any of the financial covenants detailed below for two consecutive quarters.
- c) If the Company violates the restriction on making a distribution as detailed below.
- d) If the rating of the Company's debentures is lowered by the rating company to below BBB-.
- e) If foreclosure is imposed on a material asset (whose carrying amount exceeds 10% of the Company's total assets in the consolidated balance sheet) which is not lifted within 45 days (excluding assets which are financed through non-recourse loans).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

The financial covenants are as follows:

- a) The Company's consolidated equity (including non-controlling interests) will not be less than NIS 1.106 billion.
- b) The ratio of the Company's consolidated equity (including non-controlling interests) to total balance sheet (less cash, deposits and short-term investments) will not be below 16.5%.
- c) The ratio of the Company's net financial debt (total financial debts and liabilities less cash, short-term restricted financial assets and marketable securities) to total consolidated balance sheet will not exceed 68%.

The Company's compliance with the financial covenants will be examined each quarter with respect to the consolidated financial statements. Noncompliance with a specific financial covenant will result in an increase of 0.5% in the annual interest rate.

As of the financial statements date, the Company is meeting these financial covenants.

The Company is required to meet the following restrictions on distributions:

- a) The Company undertook not to make any distribution (including repurchase of Company shares) if it will cause the Company's equity (excluding non-controlling interests) to be less than NIS 1.05 billion.
- b) The Company undertook not to make any distribution in each calendar year in an amount that exceeds 50% of net annual income. Any amount that was not distributed in practice in a certain calendar year out of the maximum distributable amount will be accrued and the Company will be able to distribute it in subsequent period.
- c) During the period from the date of issuance of debentures through their final maturity date, the Company will be able to distribute a dividend in an aggregate amount not exceeding NIS 80 million in addition to the amount which it is entitled to distribute pursuant to 2 above.
- d) The Company undertook not to make a distribution if it is not meeting one or several financial covenants which it undertook or if making the distribution will cause noncompliance with the above financial covenants or serves as grounds for placing the debentures for immediate repayment.
- e) The Company undertook not to repay shareholders' loans (including interest) unless the conditions stipulated in 1-3 above are met.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

The Company undertook not to create in favor of any third party charges of any kind on its assets and rights in excess of existing charges as of the date of signing the deed of trust, all unless the consent of the holders of debentures is granted in advance. The Company's undertaking not to create any third party charges will not apply in specific cases as described in the deed of trust.

Adjustment of interest rate on the debentures in the event of changes in rating:

If the rating of the debentures is one grade lower than Maalot's base rating (A), the annual interest rate will increase by 0.25%. For any additional lowering of the rating, the annual interest rate will increase by another 0.25% up to a maximum increase of 1%.

The incremental interest payments resulting from the lowering of the rating and/or from the Company's noncompliance with the above financial covenants and/or from the delisting of debentures from trade on the TASE are cumulative and shall not exceed 1.75% of the above base interest.

3. Liabilities pursuant to the deed of trust of debentures (series C):

The Company's liability pursuant to the deed of trust of debentures (series C) is substantially like the liabilities in respect of the first two series of debentures, as detailed above, except as follows:

- a) The Company's consolidated equity (including non-controlling interests) will not be less than NIS 1.25 billion (instead of NIS 1.106 billion).
- b) The Company undertook not to make any distribution (including repurchase of Company shares) if it will cause the Company's equity (excluding non-controlling interests) to be less than NIS 1.15 billion (instead of NIS 1.05 billion).
- c) Additional financial covenants have been determined and noncompliance will result in increased interest as follows:
 - The Company's consolidated equity (including non-controlling interests) will be less than NIS 1.36 billion.
 - The ratio of the net financial debt (total financial debts and liabilities less cash, short-term restricted financial assets and marketable securities) to total consolidated balance sheet will not exceed 63%.

As of the financial statements date, the Company is meeting these financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

4. Liabilities pursuant to the deed of trust of debentures (series D):

The Company's liability pursuant to the deed of trust of debentures (series D) is substantially like the liabilities in respect of the previous three series of debentures, as detailed above, except as follows:

- a) The Company's consolidated equity (including non-controlling interests) will not be less than NIS 2.0 billion.
- b) The Company undertook not to make any distribution (including repurchase of Company shares) if it will cause the Company's equity (excluding non-controlling interests) to be less than NIS 2.25 billion. During the period from the date of issuance of debentures through their final maturity date, the Company will be able to distribute a dividend up to 20% of its distributable income before the initial issuance of the debentures in addition to the amount which it is entitled to distribute pursuant to the above regarding the ratio between the distribution and income of the Company for the previous series of debentures.
- c) Additional financial covenants have been determined and noncompliance will result in increased interest as follows:
 - The Company's consolidated equity (including non-controlling interests) will be less than NIS 2.25 billion.
 - The ratio of the net financial debt (total financial debts and liabilities less cash, short-term restricted financial assets and marketable securities) to total consolidated balance sheet will not exceed 65%.

The incremental interest payments resulting from the lowering of the rating and/or from the Company's noncompliance with the above financial covenants and/or from the delisting of debentures from trade on the TASE are cumulative and shall not exceed 1.5% of the above base interest.

As of the financial statements date, the Company is meeting these financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

5. Liabilities pursuant to the deed of trust of debentures (series E):

The financial covenants underlying the deed of trust of the debentures (series E) are substantially similar to those underlying the debentures (series D), as described above, except as follows: the Company's consolidated equity (including non-controlling interests) will not be less than NIS 2.5 billion and the Company undertook not to make any distribution (including repurchase of Company shares) if it will cause the Company's equity (excluding non-controlling interests) to be less than NIS 3.0 billion. In addition, the financial covenant according to which the Company's consolidated equity (including non-controlling interests) will not be less than NIS 3.0 billion was updated whereby noncompliance with this covenant will lead to incremental interest.

- f. Additional information about the debentures of Ashtrom Properties:

1. The series of debentures of Ashtrom Properties are listed for trade on the TASE and at the reporting date were rated by Maalot at ilA/stable.
2. In the framework of the deeds of trust of debentures (series 9 and 10), undertakings and grounds for immediate repayment were set such as the grant of a negative pledge and compliance with financial covenants, including an equity to balance sheet ratio not below 17%, a net financial debt to CAP ratio not more than 77.5% and a net financial debt to NOI ratio not more than 15.5. Also, restrictions were placed on the distribution of dividends as follows: in any calendar year, Ashtrom Properties will not distribute a dividend that exceeds 50% of its net income provided that its equity is not less than NIS 600 million, NIS 650 million and NIS 700 million for said series, respectively. Net income will include revaluation gains if its equity is not lower than the above amounts. In addition, if the rating of the debentures (series 9 and 10) is updated to BBB+ (or equivalent rating) at any point during an interest period, the interest rate will increase by 0.5% and if there is a further downgrade in the rating of debentures, the interest rate will increase by 0.25%, with a maximum cumulative increase of 1%.

On February 29, 2024, the general meeting of the holders of debentures (series 9 and 10) approved Amendment No. 1 to the deed of trust which, among others, includes changes to the definitions of net financial debt and NOI and to the financial covenants so that the financial covenants now require equity of no less than NIS 1,200 million, equity to balance sheet ratio not below 19%, net financial debt to CAP not more than 77.5% and net financial debt to NOI ratio not more than 16.5. In the framework of the Amendment, the interest rates were changed so that, effective from the approval of the Amendment, the stated interest rate on the debentures (series 9) increased from 4.9% to 5.3% and the stated interest rate on the debentures (series 10) increased from 3.06% to 3.46%. Consequently, Ashtrom Properties recorded a loss of NIS 8.8 million.

As of the financial statements date, Ashtrom Properties is meeting these financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

3. In the framework of the deed of trust for the debentures (series 11), a senior mortgage in an unlimited amount was recorded at the Land Registry Office on 50% of Ashtrom Properties' unspecified rights to Kanionim and a senior floating charge in an unlimited amount was recorded on 50% of its revenues from Kanionim. Moreover, undertakings and grounds for immediate repayment were set as well as compliance with financial covenants such as:

The LTV ratio in respect of the debentures will not be below 1, the equity to balance sheet ratio of Ashtrom Properties will not be below 17% and Ashtrom Properties' minimum equity will not be less than NIS 750 million. Also, restrictions were placed on the distribution of dividends by Ashtrom Properties as follows: in any calendar year, Ashtrom Properties will not distribute a dividend in an amount that exceeds 50% of its net income provided that its equity is not less than NIS 750 million. Net income will include revaluation gains if Ashtrom Properties' equity is not less than NIS 850 million. In addition, if Ashtrom Properties fails to comply with certain financial covenants stipulated in the deed of trust, the interest on the debentures will be raised by certain rates up to a maximum rate of 1.5%.

As of the financial statements date, Ashtrom Properties is meeting these financial covenants.

4. In the framework of the deed of trust for the debentures (series 12), a senior mortgage in an unlimited amount was recorded at the Land Registry Office on 50% of Ashtrom Properties' unspecified rights to Hutzot HaMifratz retail center and a senior floating charge in an unlimited amount was recorded on 50% of its revenues from Hutzot HaMifratz.

Moreover, undertakings and grounds for immediate repayment were set as well as compliance with financial covenants such as:

The equity to balance sheet ratio of Ashtrom Properties will not be below 18% and Ashtrom Properties' minimum equity will not be less than NIS 850 million. Also, restrictions were placed on the distribution of dividends by Ashtrom Properties as follows: in any calendar year, Ashtrom Properties will not distribute a dividend in an amount that exceeds 50% of its net income provided that its equity is not less than NIS 900 million. Net income will include revaluation gains if Ashtrom Properties' equity is not less than NIS 950 million.

As of the financial statements date, Ashtrom Properties is meeting these financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

5. In the framework of the deed of trust for the debentures (series 13), undertakings and grounds for immediate repayment were set as well as compliance with financial covenants such as:

The equity to balance sheet ratio of Ashtrom Properties will not be below 19%, Ashtrom Properties' minimum equity will not be less than NIS 950 million, a net financial debt to CAP ratio not more than 77.5% and a net financial debt to NOI ratio not more than 16.5. Also, restrictions were placed on the distribution of dividends follows: in any calendar year, Ashtrom Properties will not distribute a dividend in an amount that exceeds 50% of its net income provided that its equity is not less than NIS 1,050 million.

As of the financial statements date, Ashtrom Properties is meeting the financial covenants related to debentures as elaborated above.

6. In the framework of the deed of trust for the debentures (series 14), undertakings and grounds for immediate repayment were set as well as compliance with financial covenants such as:

The equity to balance sheet ratio of Ashtrom Properties will not be below 19%, Ashtrom Properties' minimum equity will not be less than NIS 1,200 million, a net financial debt to CAP ratio not more than 77.5% and a net financial debt to NOI ratio not more than 16.5. Also, restrictions were placed on the distribution of dividends as follows: in any calendar year, Ashtrom Properties will not distribute a dividend in an amount that exceeds 50% of its net income provided that its equity is not less than NIS 1,300 million. As of the reporting date, Ashtrom Properties is meeting the financial covenants related to debentures as elaborated above.

7. In a public tender offering held on December 4, 2024, Ashtrom Properties issued NIS 100,000 thousand par value of debentures (series 12) by series expansion for gross proceeds of approximately NIS 110.5 million (approximately NIS 109.7 million net of issue expenses). In another tender held on the same date, Ashtrom Properties issued NIS 200,000 thousand par value of debentures (series 14) by series expansion for gross proceeds of approximately NIS 209.8 million (approximately NIS 207.9 million net of issue expenses).

- g. Additional information about the debentures of Ashtrom Residential:

On August 1, 2024, Ashtrom Residential 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 CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

h. Loans from institutional entities:

This item consists of loans from financial institutions totaling approximately NIS 2,499 million which are used to finance the Company's investments in different projects in the rental housing and concession segments (2023 – approximately NIS 2,021 million) and are repayable over the operation periods of these projects. NIS 2,159 million of the loans are linked to the Israeli CPI and bear interest at rates of 1.58%-4.75% while NIS 340 million of the loans bear variable interest at the Prime rate + 1.5%-1.7%.

i. Financial covenants:

1. As for the Company's liabilities in respect of issued debentures, see e above.
2. To receive short-term loans and credit facilities from banks, the Group has undertaken to meet financial covenants and certain restrictions in creating new charges which are substantially identical to the Company's liabilities for the debentures issued above. Following the issuance of debentures (series D) in December 2021, as above, and according to agreements with the banks, the Company informed these banks that it undertakes to comply with the financial covenants determined for this series. As of the financial statements date, the Company is meeting these financial covenants.

3. Ashtrom Residential Development Ltd.:

Ashtrom Residential has undertaken toward a bank to meet a ratio of adjusted net financial debt to adjusted net CAP of below 70% at all times.

Ashtrom Residential also undertook that its equity attributable to equity holders of Ashtrom Residential will not be less than NIS 450 million, the ratio of Ashtrom Residential's consolidated equity (including non-controlling interests) to total balance sheet (less advances from buyers of apartments and liabilities for combination transactions) will not be below 18%.

Furthermore, Ashtrom Residential has undertaken not to create any floating charges on its property without the bank's consent and not to sell its assets not in the ordinary course of business without giving an advance notice to the bank.

As of the financial statements date, Ashtrom Residential is meeting these financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

4. Ashtrom Properties Ltd.

Ashtrom Properties has undertaken toward banks as follows:

- a) Its equity shall not be less than 19% of total balance sheet or NIS 1,200 million.
- b) Net financial debt to CAP ratio will not exceed 77.5%.
- c) A net financial debt to NOI ratio not more than 16.5 and minimal NOI.
- d) The outstanding credit taken by Ashtrom Properties against the pledged assets will not exceed 70% of the fair value of the pledged assets.
- e) DSCR ratio above 1.
- f) Ashtrom Properties has several bank loans totaling approximately NIS 375 million secured by income-producing real estate properties in subsidiaries at an annual interest rate of Prime plus 1%, which were originally provided for a period of about 36 months. In March 2024, Ashtrom Properties entered into an agreement with the bank to receive a credit facility of NIS 100 million. As collateral for these loans, Ashtrom Properties undertook that the credit balance would not exceed 70% of the fair value of the pledged properties and that the net operating income (NOI) of these properties would not be at least NIS 50 million. Additionally, Ashtrom Properties undertook to meet the financial covenants under the deed of trust of its debentures (series 14), to refrain from creating a general floating charge and an undertaking related to a change in control of Ashtrom Properties.

As of the financial statements date, Ashtrom Properties is meeting these financial covenants.

j. Lease liabilities:

	December 31, 2024	December 31, 2023
Lease liabilities	288,605	332,117
Less – current maturities (Note 20)	37,551	40,590
Total	251,054	291,527

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 24:- NON-CURRENT LIABILITIES (Cont.)

k. Other liabilities:

	December 31, 2024	December 31, 2023
Liabilities for hedge transaction (Note 16e)	10,547	50,492
Loans from shareholders in subsidiaries	28,961	25,006
Provisions for projects and other liabilities	24,263	75,573
Total	63,771	151,071

- l. As for the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, see Note 25b.

NOTE 25:- FINANCIAL INSTRUMENTS

a. Financial risks factors:

The Group's activities expose it to various financial risks such as market risks (this includes foreign exchange risk, index risk, such as the Israeli CPI, interest risk and price risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance. The Group utilizes derivatives to hedge certain exposures to risks.

1. Foreign exchange risk:

The Group operates in many countries and is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the U.S. dollar, the Pound and the Euro.

The Group has an investment in a foreign operation whose net financial assets are exposed to possible fluctuations in the exchange rate of the U.S. dollar, the Pound and the Euro. The foreign exchange exposure arising from the foreign operation's net financial assets in the U.S. and Europe is principally managed by holding borrowings denominated in U.S. dollar, Pound and Euro.

2. Israeli CPI risk:

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI totals approximately NIS 5,901 million as of December 31, 2024 (2023 - NIS 5,852 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

3. Credit risk:

The Group companies are engaged in construction for sale, contractual works and sale of construction products. The title to sold properties is passed to the buyers when the consideration is received in full. Contractual works are generally carried out for Government departments, local authorities and large customers.

Outstanding trade and income receivable are regularly monitored by the companies' managements and allowances which, according to their evaluation, adequately reflect differences that may be incurred when the final account is approved by the customer are recorded in the financial statements.

The managements of companies that market construction products regularly monitor outstanding customer receivables and allowances which, according to their evaluation, adequately reflect doubtful accounts are recorded in the financial statements.

In view of the above, management believes that the exposure to credit risk in connection with customers is limited.

4. Liquidity risk:

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and debentures.

5. Interest risk:

The Group is exposed to the risk of changes in the market interest rates on long-term loans with variable interest rates. The Group's policy is to manage the finance costs relating to the interest by having a balance between fixed and variable interest on the Group's long-term loans. The Group is exposed to the risk of change in fair value of the above financial instruments due to change in the market interest rates.

As of December 31, 2024, the Group has liabilities in NIS with variable interest amounting to approximately NIS 4.4 billion and any change in BOI interest will affect interest payments.

6. Price risk:

The Group has investments in listed financial instruments, shares and debentures that are measured at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2024, the carrying amount of these investments is NIS 264 million (2023 - NIS 749 million), see Note 4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

b. Concentration of liquidity risk:

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2024	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Loans from banks	1,456,162	2,902,249	636,919	205,128	645,652	974,843	6,820,953
Debentures	933,253	954,034	954,609	1,018,428	1,726,417	329,292	5,916,033
Lease liabilities	48,471	33,126	30,426	25,220	24,814	267,061	429,118
Loans from institutional entities	625,588	614,944	147,185	142,535	326,584	2,048,108	3,904,944
Other liabilities	-	2,001	10,319	1,425	3,903	46,123	63,771
Subcontractors and trade payables	972,936	-	-	-	-	-	972,936
Other accounts payable	269,299	-	-	-	-	-	269,299
Total	4,305,709	4,506,354	1,779,458	1,392,736	2,727,370	3,665,427	18,377,054

December 31, 2023	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Loans from banks	1,544,090	2,187,225	1,078,272	168,390	105,368	759,676	5,843,021
Debentures	1,172,112	896,707	903,563	902,294	968,746	1,717,190	6,560,612
Lease liabilities	49,633	44,442	41,570	30,756	26,370	274,582	467,353
Loans from institutional entities	645,131	83,526	80,764	476,894	74,793	2,083,692	3,444,800
Other liabilities	-	29,450	33,984	12,540	8,408	66,689	151,071
Subcontractors and trade payables	931,481	-	-	-	-	-	931,481
Other accounts payable	264,653	-	-	-	-	-	264,653
Total	4,607,100	3,241,350	2,138,153	1,590,874	1,183,685	4,901,829	17,662,991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

c. 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 (other than those whose amortized cost approximates fair value):

	Carrying amount December 31, 2024	Carrying amount December 31, 2023	Fair value December 31, 2024	Fair value December 31, 2023
Financial assets:				
Receivables from concession arrangements (1)	251,883	259,753	243,003	258,460
Financial liabilities:				
Loans with fixed interest (1)	4,262,191	3,098,362	4,083,733	2,970,320
Debentures (2)	5,453,378	6,047,002	5,395,825	5,927,051
Total	9,715,569	9,145,364	9,479,558	8,897,371

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

The carrying amount of cash and cash equivalents, short-term investments, trade receivables, other accounts receivable, credit from banks and loans from others with variable interest, trade payables and other accounts payable approximates their fair value.

Financial assets measured at fair value:

	December 31, 2024	December 31, 2023
Financial assets at fair value through profit or loss:		
Marketable securities held for trading	144,830	617,658
Investment in shares of wind turbines project in Poland	119,847	131,603

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

d. Sensitivity tests relating to changes in market factors:

Sensitivity test to changes in interest rates	Gains (losses) from interest increase of 1%	Gains (losses) from interest decrease of 1%
2023	(48,124)	48,124
2024	(44,221)	44,221

Sensitivity test to changes in the U.S. \$ exchange rate	Gains (losses) from exchange rate increase of 5%	Gains (losses) from exchange rate decrease of 5%
2023	(28,029)	28,029
2024	(49,313)	49,313

Sensitivity test to changes in the Euro exchange rate	Gains (losses) from exchange rate increase of 5%	Gains (losses) from exchange rate decrease of 5%
2023	(19,751)	19,751
2024	(17,602)	17,602

Sensitivity test to changes in the Pound exchange rate	Gains (losses) from exchange rate increase of 5%	Gains (losses) from exchange rate decrease of 5%
2023	(20,180)	20,180
2024	(36,236)	36,236

Sensitivity test to changes in the Israeli CPI	Gains (losses) from CPI increase of 1%	Gains (losses) from CPI decrease of 1%
2023	(58,515)	58,515
2024	(60,764)	60,764

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 25:- FINANCIAL INSTRUMENTS (Cont.)

Sensitivity test to changes in the market price of listed securities	Change in equity from market factor increase of 10%	Change in equity from market factor decrease of 10%
2023	74,926	(74,926)
2024	26,468	(26,468)

- e. Management of the capital in the Company:

The Company's capital management objectives are:

1. To preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
2. To ensure adequate return for the shareholders by pricing of products and services that is adjusted to the level of risk in the Group's business activity.
3. To maintain a strong credit rating and healthy capital ratios to support business activity and maximize shareholders' value.

- f. Changes in liabilities arising from financing activities:

	Balance at January 1, 2024	Cash flows	Effect of exchange rate changes	Other changes	Balance at December 31, 2024
Credit from banks	758,733	166,952	(17,351)	9,461	917,795
Short-term loans from institutional entities	550,000	(150,000)	-	-	400,000
Long-term loans from banks	4,584,592	333,735	(37,279)	(14,005)	4,867,043
Long-term loans from institutional entities	2,020,641	392,005	-	86,737	2,499,383
Debentures	6,000,415	(752,592)	-	170,005	5,417,828
Total liabilities arising from financing activities	13,914,381	(9,900)	(54,630)	252,198	14,102,049

	Balance at January 1, 2023	Cash flows	Effect of exchange rate changes	Initial consolidation	Other changes	Balance at December 31, 2023
Credit from banks	1,085,473	(68,293)	358	63,000	(321,805)	758,733
Short-term loans from others	172,512	377,488	-	-	-	550,000
Long-term loans from banks	2,528,517	1,676,851	47,949	3,676	327,599	4,584,592
Long-term loans from institutional entities	1,532,919	404,357	-	-	83,365	2,020,641
Debentures	5,175,896	689,838	-	-	134,681	6,000,415
Total liabilities arising from financing activities	10,495,317	3,080,241	48,307	66,676	223,840	13,914,381

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 26:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits, post-employment benefits and other long-term benefits.

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit. Post-employment benefits to employees are normally financed by contributions classified as defined benefit plans or as defined contribution plans as detailed below.

b. Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the current contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

c. Defined benefit plans:

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in central severance pay funds and in qualifying insurance policies.

The plan assets (liabilities), net:

	December 31, 2024	December 31, 2023
Defined benefit obligation	(114,369)	(112,998)
Fair value of plan assets	80,586	77,857
Central severance pay fund	15,220	13,666
Total liabilities, net	(18,563)	(21,475)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 27:- TAXES ON INCOME

- a. Tax laws applicable to the Group companies:

1. Companies in Israel:

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. Adjustments relating to capital gains such as for sale of property (betterment) and securities continue to apply until disposal.

The Law for the Encouragement of Capital Investments, 1959 ("the Law"):

Programs of a sub-subsidiary and partnerships to construct residential buildings for rent were granted approved enterprise status under the Law. The principal benefits to which the partnerships are entitled are reduced tax rates (11%) and accelerated depreciation.

In November 2021, the Arrangements Law for the year 2021-2022 was approved, which included a reform in the area of institutional rental aimed at promoting long-term rent projects through the adjustment of tax incentives in the Law for the Encouragement of Capital Investments.

The seventh chapter of the Law for the Encouragement of Capital Investments was extensively amended as part of the institutional rent chapter in the Arrangements Law, primarily granting benefits to "institutional apartments for rent" located within "institutional building for rent", as defined by the Law: providing reduced tax rates on taxable income derived from the sale of rental apartments and from rental income from apartments as well as accelerated depreciation and a graduated model of tax benefits (corporate tax rates of 5%-11%).

As part of the amendment to the Encouragement Law, the conditions and benefits of the original tracks of Chapter Seven 1 to the Law regarding "rental building" and "new building for rent" will remain in effect if an application for approval of the plan is submitted by December 31, 2023 and the Administration approves it as an approved property (to apply, the Administration requires, among other, a building permit).

The above benefits are conditional upon the fulfillment of the conditions stipulated by the Law, regulations published thereunder and the letters of approval for the investments in the approved buildings, mainly residential rent for a minimal period after the construction is completed. In the event of failure to comply with these conditions, the benefits may be canceled and the partnerships may be required to refund the amount of the benefits, in whole or in part, including interest.

During 2023, two partnerships were approved to shift to the new benefit track "institutional building for rent".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 27:- TAXES ON INCOME (Cont.)

2. Foreign subsidiaries:

Subsidiaries which were incorporated outside Israel are taxed according to the tax laws in their countries of residence.

b. Tax rates applicable to the Group companies:

1. Companies in Israel:

From 2018 and onward, the Israeli corporate tax rate is 23%.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

2. Foreign subsidiaries:

Revenues from rental properties in Romania are subject to income tax at the rate of 16%. Revenues from rental properties in Germany are subject to income tax at the rate of 15.8% and capital gains from the sale of real estate properties in Germany are subject to capital gains tax of 15.6%. The sale of shareholdings in German companies by foreign companies is capital gains tax exempt in Germany under certain conditions. Revenues from rental properties in England are subject to tax at the rate of 25%. Revenues from sale of apartments in the U.S. are subject to federal tax at the rate of 21%.

Revenues from contract works in Jamaica are subject to tax at the rate of 25%.

As of the financial statements date, a subsidiary is entitled under U.S. law to a tax benefit related to its construction and operation of photovoltaic projects in the U.S. The U.S. federal government grants these tax credits through two mechanisms: the Production Tax Credit (PTC) and the Investment Tax Credit (ITC).

In August 2022, the Inflation Reduction Act ("IRA") was enacted in the U.S., introducing significant changes to tax benefits in the field of green energy. Regarding the Production Tax Credit (PTC), the IRA expanded eligibility to include solar energy facilities allowing credit to apply to income generated from these facilities (previously limited to qualified wind facilities) and the amount of tax credit per 1 kilowatt generated by a qualified facility. Regarding the Investment Tax Credit (ITC), the IRA extended the credit's availability, allowing a 30% tax credit for qualified facilities that are placed in service after 2021 and for which construction began before 2033.

The IRA also provided the option of selling the tax credit to a third-party buyer, subject to conditions, limitations and provisions set forth in the IRA. In September 2023, the subsidiary entered into an agreement to sell Production Tax Credit (PTC) for an estimated amount of approximately \$ 300 million over 10 years, based on electricity generated from its project. It is clarified that the sale amount is subject to variation based on actual electricity production.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 27:- TAXES ON INCOME (Cont.)

3. OECD International Tax Reform ("Pillar Two"):

The Pillar Two rules, published on December 20, 2021, are part of the solution to address the tax challenges arising from the digital economy, agreed upon by 142 countries. The Pillar Two rules are designed to ensure that large multinational groups pay a minimum level of tax on the income they generate in each jurisdiction where they operate. The Pillar Two provisions apply to multinational groups whose revenue turnover in the consolidated statement of the consolidating parent company is equal to or exceeds € 750 million in at least two of the four years preceding the reviewed tax year.

Under the Pillar Two provisions, for each jurisdiction where the group operates, the effective tax rate is calculated. Accordingly, it is determined whether the group is subject to additional tax liability arising from the difference between the effective tax rate in that jurisdiction and the minimum tax rate set by the Pillar Two provisions (15%).

Any additional tax received will be subject to a coordinated set of rules embedded within the Pillar Two rules, which aim to ensure the collection of this additional tax.

Temporary relief from the calculations of the effective tax rate in accordance with Pillar Two provisions is available in jurisdictions where multinational groups meet the Transitional CbCR Safe Harbor ("TCSH") tests. These tests, based on CbCR data and additional financial data, apply during the transitional period (2024-2026):

- (a) De Minimis Test – applicable when the income and profits in a particular jurisdiction fall below a specified threshold.
- (b) Simplified Effective Tax Rate Test – applicable when the simplified effective tax rate in a particular jurisdiction equals or exceeds the prescribed rate (2024 - 15%, 2025 - 16% and 2026 - 17%).
- (c) Routine Profit Test – applicable when the activity in a jurisdiction is considered routine as defined by Pillar Two.

It is clarified that if a jurisdiction fails to meet any of these Safe Harbor tests in a given year during the transitional period, it will not be eligible for this relief in subsequent years.

In May 2023, the International Accounting Standards Board (IASB) published "International Tax Reform - Pillar Two Model Rules - Amendment to IAS 12" ("the Amendment"). The Amendment clarifies that IAS 12 applies to income taxes arising from tax laws that have been enacted or substantially enacted to implement the OECD Pillar Two Model Rules, including minimum domestic top-up taxes (Minimum Top Up Tax).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 27:- TAXES ON INCOME (Cont.)

The amendment includes:

- (a) A temporary exemption from applying the provisions of IAS 12 for the recognition and disclosure of deferred tax assets and liabilities arising from the adoption of Pillar 2 rules; and
- (b) Targeted disclosure requirements for multinational entities affected by the international tax reform.

The temporary exemption in (a) above is effective immediately and requires disclosure upon its application. The remaining targeted disclosure requirements in (b) above apply to annual reporting periods beginning on or after January 1, 2023.

It should be noted that the Group is currently assessing the impact of the international tax reform on its financial statements. In addition, the Group is applying the temporary exemption and, therefore, no disclosure was given and no deferred tax assets or liabilities arising from the adoption of the Pillar Two rules were recognized.

Group's exposure to Pillar Two legislation:

Pillar Two legislation has been enacted and became effective on January 1, 2024 in certain jurisdictions where the Group operates. This legislation does not have a material impact on the Group's consolidated financial statements for the year ended December 31, 2024, based on the current adoption status of the legislation in all relevant jurisdictions, the updated holding structure and analyses performed by the Group using the latest financial information.

c. Deferred taxes:

Composition:

	December 31, 2024	December 31, 2023
Deferred tax liabilities:		
Property, plant and equipment measured using a revaluation model	(134,083)	(131,826)
Investment property measured at fair value through profit or loss	(501,951)	(461,995)
Total	(636,034)	(593,821)
Deferred tax assets:		
Carryforward tax losses	308,106	238,400
Timing differences in accounting for expenses and revenues, net	31,387	16,117
	339,493	254,517
Deferred tax liabilities, net	(296,541)	(339,304)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 27:- TAXES ON INCOME (Cont.)

Movement:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Balance at beginning of year	(339,304)	(440,860)	(308,805)
Amounts classified to statement of profit or loss	38,432	128,538	(95,794)
Amounts recorded against revaluation reserve	(6,101)	(4,240)	(30,443)
Deferred taxes in respect of initially consolidated company	-	(4,909)	-
Amounts recorded against foreign currency translation reserve	10,885	(17,984)	(6,157)
Amounts recorded against gain from remeasurement loss of defined benefit plans	(453)	151	339
Balance at end of year	(296,541)	(339,304)	(440,860)

The deferred taxes are reflected in the statement of financial position as follows:

	December 31, 2024	December 31, 2023
Non-current assets	50,696	51,520
Non-current liabilities	(347,237)	(390,824)
Total	(296,541)	(339,304)

The deferred taxes are principally computed at a tax rate of 23% (2023 - same), based on the tax rates that are expected to apply upon realization. For losses and differences under the Law for the Encouragement of Capital Investments, deferred taxes are computed at a tax rate of 11% (2023 - same).

Deferred tax benefits in respect of losses and temporary differences aggregating approximately NIS 310 million in certain subsidiaries were not recognized because their utilization in the foreseeable future is not probable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 27:- TAXES ON INCOME (Cont.)

- d. Taxes on income (tax benefit) included in profit or loss:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Taxes in respect of the current year:			
Current taxes	72,253	95,342	55,520
Deferred taxes	(58,466)	(111,401)	104,440
Total taxes in respect of the current year	13,787	(16,059)	159,960
Taxes in respect of previous years:			
Current taxes	(14,110)	(2,778)	5,777
Deferred taxes in respect of losses in previous years	20,034	(17,137)	(8,646)
Total taxes in respect of previous years	5,924	(19,915)	(2,869)
Total taxes on income (tax benefit)	19,711	(35,974)	157,091

- e. Theoretical tax:

The reconciliation between the tax amount, assuming that all the income and expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Income before taxes on income	221,063	2,015	1,121,054
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	50,844	463	257,842
Increase (decrease) in taxes on income due to the following components:			
Tax effect on Group's share of earnings of associates	(26,232)	(9,243)	(28,898)
Losses for which deferred taxes were not recognized	35,018	56,954	5,041
Income subject to different tax rates	(16,785)	(13,629)	(56,162)
Nondeductible expenses, tax-exempt income and other differences, net	(29,058)	(50,604)	(17,863)
Taxes in respect of previous years	5,924	(19,915)	(2,869)
Taxes on income (tax benefit)	19,711	(35,974)	157,091

- f. Tax assessments and final tax assessments:

The assessments of the Company are considered final through the 2019 tax year. The assessments of most of the subsidiaries are considered final through the 2019 tax year. Several subsidiaries received final tax assessments through 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 28:- CONTINGENT LIABILITIES, GUARANTEES AND CHARGES

a. Charges:

1. To secure liabilities of Group companies to banks, institutional entities, holders of debentures and others totaling approximately NIS 7,763 million and liabilities in respect of bank guarantees (as described in b below), floating and fixed charges were recorded on assets and rights of most of the companies, including most of the Group's real estate properties and the rights of some of the investees.
2. To secure bank liabilities of CityPass, a charge was recorded on CityPass' shares in favor of Bank Leumi Trust Company.

b. Guarantees:

1. To secure liabilities of Group companies to buyers of apartments and offices in the framework of the Sales Law (Apartments) (Securing Investments of Apartment Buyers), 1974, guarantees to associates and other performance guarantees, the Group companies issued bank guarantees as follows:

	December 31, 2024	December 31, 2023
Guarantees in respect of the Sales Law (Apartments)	2,137	3,539
Performance guarantees in Israel	990	1,176
Personal guarantees in Israel	94	81
Performance guarantees abroad	-	1
Total	3,221	4,797
Guarantees to secure liabilities of associates to banks and financial institutions	594	513

2. The Company has issued a guarantee in an unlimited amount for subsidiaries' entire liabilities to banks.

c. Claims:

Legal claims were filed against Group companies, mainly regarding construction defects, disputes with subcontractors, a claim of breach of right of refusal of sellers of land, severance payment to former employees, payment of compensation for bodily damages, breach of rental agreements and other contractual commitments. As of the reporting date, total claims aggregate approximately NIS 343 million. According to management, in some claims, based, among others, on the opinion of its legal counsel, the Group companies are not expected to incur expenses in respect of these claims in excess of the provisions recorded in the financial statements in respect thereof.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 28:- CONTINGENT LIABILITIES, GUARANTEES AND CHARGES (Cont.)

Following is a description of the material claims included in the total aggregate amount indicated above:

1. On December 3, 2012, a Chinese company which served as subcontractor for carrying out most of the tunnel mining work in the Carmel Tunnels project filed a claim of NIS 118 million (the revalued amount of the claim is approximately NIS 144 million) against a subsidiary and its equal partner in the project's construction ("the partners"). The subcontractor's claim consists of several main arguments: the subcontractor's share of cost saving relating to the construction, a monetary bonus for advancing the timetables and various offsets that had been made in the subcontractor's bills. Before filing the claim, the partners and the subcontractor held a mediation process which failed. On April 30, 2013, the partners filed a letter of defense and a counterclaim totaling approximately NIS 61 million. A mediator was appointed in March 2019 as per the Court's request and with the parties' consent. Several meetings were held before the mediator during which the parties failed to resolve the disputes between them and, therefore, decided that they would continue to deal with their mutual claims in Court. In December 2019, a pre-trial hearing was held in which it was decided that an expert would be appointed and the parties would notify the Court once they agree on the identity of the expert as well as on the guideline that would be provided to the expert and used for its opinion. To the extent that the parties fail to agree on the identity of the expert, the Court would choose the expert. In January 2020, the parties agreed on the identity of the party that would appoint the expert and agreed that the expert would be a foreigner from the industry rather than from the academy. In November 2020, an expert was appointed on behalf of the Court and on December 31, 2021, the parties accepted his opinion. Clarification questions were sent to the expert, responses were received and then hearings and investigations were conducted. During a pre-trial hearing held on June 25, 2023, the Court proposed that the parties make one last attempt to resolve the dispute between them. On July 10, 2023, the parties jointly declared their intention to conduct a meeting in the presence of "authorized personnel" on their behalf before the Court. A hearing was held on March 31, 2024. On June 23, 2024, the Court reiterated its offer of compromise, but the parties were unable to reach an agreement. Consequently, in February 2025, the parties' witnesses were investigated and deadlines were set for submitting summaries by July 2025. Based on the opinion of their legal counsel, the partners estimate there will be no additional damage beyond the amounts already included in their books.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 28:- CONTINGENT LIABILITIES, GUARANTEES AND CHARGES (Cont.)

2. On January 9, 2018, the Company received a claim from a third party where the Company served as a prime contractor in a project that it initiated totaling approximately NIS 55 million and which deals with the Company's alleged violation of its obligations as contractor for the construction of the project and delay in delivery of the buildings in the project. The claim was filed in the framework of an arbitration procedure, as stipulated in the agreement between the Company and the developer in connection with the aforesaid project, concurrently with a claim filed by the Company against the developer in the framework of an arbitration procedure which deals with the breach of the developer's obligations to pay the Company the sum due to it for construction work in the project and the NIS 20 million compensation due to it for the extension of the performance of the project. Several arbitration meetings were held, the witnesses on behalf of the parties were investigated and summaries and responses were submitted. The parties are awaiting the arbitration award. At this stage, the Company's legal counsel are unable to assess the chances of the claims. In the Company's estimation, the amounts it is expected to receive from the aforementioned proceedings are not less than those shown as receivable in the financial statements and it will not incur any additional costs beyond the provisions included in the financial statements.
3. On October 3, 2019, the Company received a letter of claim in the amount of approximately NIS 72 million in the framework of an arbitration proceeding being held between it and the representatives of a group of buyers in Tel-Aviv in which the Company acted as construction contractor. The claim mainly pertains to alleged construction deficiencies, damage to reputation and impairment of project value. On February 9, 2020, the Company filed a statement of defense and a counterclaim in the amount of approximately NIS 11.8 million. On May 1, 2024, as part of the above arbitration, an interim award was issued which rejects the group of buyers claims for "collective damages", except for a compensation of NIS 1.7 million for mental anguish which was awarded as a comprehensive damage to all plaintiffs. This is in addition to other claims of the plaintiffs that were previously rejected in the interim rulings and/or settled through inspection repairs for amounts immaterial to the Company. It is further indicated that the next phase of the arbitration is set to address the Company's claims against the plaintiffs and the parties' expenses, both of which are for amounts immaterial to the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 28:- CONTINGENT LIABILITIES, GUARANTEES AND CHARGES (Cont.)

4. On April 29, 2021, the Company received a claim from a third party that served as a subcontractor of the Company's wholly-owned subsidiary in a project in which the Company served as a performing contractor. The claim was filed jointly and severally against the Company, the subsidiary and the client (a third party unrelated to the Company or its interested parties). The claim against the defendants amounts to approximately NIS 68 million and consists mainly of arguments for demands for payment that, allegedly, were not made to the plaintiff in connection with works performed in the project as well as compensation that, allegedly, is due for the extension of the performance and management of the project. Following the court's ruling, on November 4, 2021, the subcontractor filed a revised statement of claim. On February 8, 2022, the Company and its subsidiary filed a statement of defense and a counterclaim against the plaintiff. For fee purposes, the counterclaim was filed in the total of NIS 100 million, based mainly arguments related to the extension of performance and non-compliance with project deadlines by the plaintiff while violating its contractual obligations. As of the date of approval of the financial statements, the proceedings between the parties continue in Court. At this early stage, the Company's legal counsel are unable to assess the chances of the claim. The Company estimates that it will not incur any additional costs beyond the provisions included in its financial statements.

5. On July 2, 2024, Ashtrom Residential was served with a claim amounting to approximately NIS 56 million which was filed by contractors with whom Ashtrom Residential had contracted for a project in the Neve Monson neighborhood in Yehud Monoson where Ashtrom Residential was the developer responsible for the construction of five residential buildings. The primary grounds of the claim consist of arguments concerning Ashtrom Residential'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 Ashtrom Residential is responsible. On January 21, 2025, Ashtrom Residential filed a statement of defense and a counterclaim against the contractors and the parent company of one contractor (due to a guarantee on certain buildings constructed in the project) for NIS 65 million and injunctions. Ashtrom Residential's main arguments in the statement of defense and counterclaim are that the contractors breached the agreements between the parties resulting in financial damage to Ashtrom Residential that the contractors are required to pay.

Due to the preliminary stage of the proceeding, according to Ashtrom Residential'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.

Several other claims have been filed against the Group companies in immaterial amounts, the chances of some of which, based on legal opinion, are estimated by management to be low whereas for others the Company's management estimated that it is not exposed and, accordingly, no provision has been included in the financial statements. In claims where the Group's management estimate that the Company will be required to make payments in the framework of the legal proceedings, a provision was recorded accordingly.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 28:- CONTINGENT LIABILITIES, GUARANTEES AND CHARGES (Cont.)

d. Other contingent liabilities:

1. A contingent liability exists in the limited framework of a warranty for quality of construction of residential apartments and work performed, completed and delivered to buyers and to customers, see also c(1) above.
2. In the framework of acquisition of land and rights to land, liabilities exist of Group companies toward sellers of the rights for implementation of construction programs and delivery of residential units according to agreements, see also Note 9.
3. As for commitments for fulfillment of financial covenants in connection with liabilities of the Company and its investees, see Note 24i.

e. Commitments:

1. Hof Hachelet project:

In November 1993, the Company, the first party, Joseph and Leonard Wilf ("Wilf"), the second party, and Sam and Arie Halpern ("Halpern"), the third party, (collectively, "the parties") signed an agreement according to which the parties will establish a joint venture, hold it and invest the funds required for the venture and the parties will share any gain or loss among them equally ("the venture"), as follows:

- According to the agreement, Wilf and Halpern are the majority shareholders in the Company for the Development of Hof Hachelet (Tel-Aviv-Herzliya) Ltd. ("Hof Hachelet") and Wilf holds 50% of the shares of Joint Development (Hof Hachelet-Wilf) Ltd. ("Joint Development") and Hof Hachelet holds the remaining 50%. The agreement also states that Hof Hachelet and Joint Development have rights to land covering some 480 thousand sq.m. in Herzliya and Ramat Hasharon ("the lands").
- The parties agreed that the development of the land would be done by way of a percentage transaction - that is, the venture would develop and construct the buildings on the vacant land and Hof Hachelet and Joint Development would be entitled to payment by way of receiving percentages in buildings built on their lands (combination transaction).
- The Company will serve as the general contractor in all the projects that will be built on said lands based on terms to be agreed between the parties.
- The parties to the agreement determined that any agreement of the venture with Hof Hachelet in respect of any land owned by Hof Hachelet shall be managed separately and that any such agreement shall be subject to the approval of the general meeting of Hof Hachelet. The parties will allow any minority shareholder in Hof Hachelet that is interested in doing so to participate in the venture and to invest in it, based on terms to be agreed on a case-by-case basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 28:- CONTINGENT LIABILITIES, GUARANTEES AND CHARGES (Cont.)

The Company estimates that the lands owned by Hof Hachelet and Joint Development are located in area with significant potential in the shoreline between west Ramat Hasharon and Herzliya, south of Herzliya Marina. To the best of the Company's knowledge, prior to publication of the financial statements, the land had not yet been cleared yet part of the lands are in advanced planning. The Company estimates that the scope of the construction approved for the lands of Hof Hachelet and Joint Development may reach thousands of apartments and tens of thousands of sq.m. of employment and retail space.

In March 2016, the Company approached the Wilf and Halpern families about promoting the establishment of the venture. As the Company was informed by the Wilf and Halpern family representatives, the talks between them and the Company in connection with the venture never concluded with legal binding understandings and, therefore, the aforementioned agreement has no validity. The parties agreed to proceed to an arbitration proceeding.

On January 12, 2017, the Company filed for arbitration against Wilf and Halpern (and their heirs), among others, seeking for compensation for damages caused to it by the breach of the agreement by Wilf and Halpern of approximately NIS 550 million. In May 2017 the defendants filed a statement of defense and in July 2017 the Company filed its response to the allegations raised in the statement of defense. Following the filing of the allegations, preliminary proceedings were conducted, in which many interim requests were submitted and resolved, pertaining to matters such as disclosure of documents, review of documents, postponement of document review, decision on preliminary arguments and more. As part of the interim proceedings, documents were provided to the plaintiff and several preliminary arbitration hearings were held. The disclosure of documents process is now complete. The Company filed affidavits of several witnesses in December 2021. An appraisal opinion was also filed on behalf of the Company. The defendants filed affidavits of main witnesses and appraisal opinions on their behalf in December 2022. At this stage, cross-examinations of the declarants are scheduled from April to June 2025.

2. The '1000' complex project:

On September 5, 2021, the Company entered into an agreement as a prime contractor to perform construction works in an area covering a total of some 269,000 sq.m. in the '1000' complex in Rishon LeZion with Phoenix Insurance Company Ltd. ("Phoenix and Ashtrom Properties") (Ashtrom Properties' share is 22.50%). According to the agreement, the Company will construct three buildings with total area of some 129,000 sq.m. designated for office and retail use, parking lot covering some 90,000 sq.m. as well as two additional buildings covering some 50,000 sq.m. to be used by Phoenix. Approximately NIS 1 billion is expected to be generated by the Company from performing the work in the project under the segment construction and infrastructure in Israel, which will be paid to the Company based on the progress of construction, as specified in the agreement. This consideration is based on an estimate of the scope of the project and the costs as of this date, and may vary depending on the actual scope.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 28:- CONTINGENT LIABILITIES, GUARANTEES AND CHARGES (Cont.)

The agreement contains additional provisions as is customary in such agreements regarding the obligations of the parties, including performance guarantees, compensation for late delivery and so forth. The project will take between 4 and 6 years, depending on the instructions of the client. The execution period will be based on the date the Company receives an order to start work, which was obtained in Q1 of 2022. During 2024, the Company recognized revenues from the above project of approximately NIS 204 million (2023 - approximately NIS 231 million and 2022 - approximately NIS 140 million).

Simultaneously with said construction agreement, Ashtrom Properties entered into an agreement to form a joint venture with Phoenix for the acquisition of 22.5% of all their rights and obligations in the real estate for a gross consideration of approximately NIS 128 million. This grants Ashtrom Properties the right to build on some 80,000 sq.m. of gross area above ground floor for employment and retail as well as parking spaces in the common lot covering some 47,000 sq.m. with the exception of some 13,000 sq.m. of the real estate which will be left exclusively for Phoenix's own use leaving the total building rights granted to the joint venture's plot at some 306,870 sq.m. of gross area above ground floor. As of December 31, 2024, the carrying amount of Ashtrom Properties' investment in the project amounted to NIS 296 million and was included in the item investment property.

NOTE 29:- EQUITY

- a. Composition of share capital:

	Authorized 2024 and 2023	Issued and outstanding 2024	Issued and outstanding 2023
Number of shares			
Ordinary shares of NIS 0.01 par value each	4,987,000,000	101,427,545	101,240,793
Preferred shares of NIS 0.01 par value each	40,000,000	-	-

Ordinary shares are listed for trade on the Tel-Aviv Stock Exchange.

- b. Preferred shares:

The general meeting of the Company's shareholders held on September 13, 2017 decided to amend the Company's articles of association so that the Company's authorized share capital will also include, in addition to Ordinary shares, Preferred shares. The Preferred shares have priority in the receipt of dividends but they do not confer any voting rights. The rights attached to the Preferred shares will be determined by the Company's Board, subject to the provisions of the Israeli Companies Law and the regulations enacted thereunder and the Company's articles of association. Following the amendment, the Company's authorized share capital consists of 5,027,000 thousand shares divided into 4,987,000 thousand Ordinary shares of NIS 0.01 par value each and 40,000 thousand Preferred shares of NIS 0.01 par value each. As of the date of approval of the financial statements, such Preferred shares have not been issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 29:- EQUITY (Cont.)

c. Dividends:

As for restrictions imposed on the distribution of dividends, see Note 24e and as for subsidiaries see also Note 23f.

On March 21, 2023, the Company's Board approved a dividend distribution to the Company's shareholders totaling NIS 200 million. The dividend per share is NIS 1.97576. The dividend was paid on April 13, 2023.

After the reporting date, on March 25, 2025, the Company's Board approved a dividend distribution to the Company's shareholders totaling NIS 80 million. The dividend per share is approximately NIS 0.71766. The record date is April 2, 2025 and the payment date is April 10, 2025.

Dividend distribution policy:

On March 21, 2023, the Company's Board decided to adopt a dividend distribution policy according to which, starting 2023, the Company will distribute to its shareholders a dividend (annual or interim) at a cumulative annual rate of not less than 25% of the annual net income for the preceding year based on the last consolidated reviewed or audited financial statements of the Company.

The dividend distribution in practice will be subject to the decisions of the Company's Board, as they will be from time to time, in accordance with financial covenants undertaken by the Company and/or to be undertaken by the Company in the future (as effective at the relevant time), the Company's operating activity, its investment plan, liquidity and needs, other business considerations, as that examination is at the sole discretion of the Company's Board and subject to the provisions of any law, including the distribution criteria set forth in the Companies Law, 1999.

In accordance with the policy set forth above, once a calendar year, or quarterly, or several times per year, the Company will declare a dividend out of the balance of its distributable profits (which have not been distributed in the past) as shown in the last consolidated reviewed or audited financial statements of the Company, based on the discretion of the Board.

This does not detract from the authority of the Board to examine from time to time the dividend distribution policy and to decide at any time on changes in the policy or changes in the rate of dividend to be distributed under the policy (higher or lower distributions or no distributions at all).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 29:- EQUITY (Cont.)

d. Share-based payments in subsidiaries:

1. On April 4, 2022, the Company's Board approved a private placement of 235,024 unlisted options which are exercisable into 235,024 Ordinary shares of the Company of NIS 0.01 par value each to an officer in the Company's subsidiary. The officer's entitlement to exercise the options will vest in four annual portions of 58,756 options each from the end of the first anniversary of the grant date for an exercise price of NIS 98.69 per share. The options are subject to certain adjustments in the event of dividend distribution, bonus shares and rights issues. 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 7.2 million using the Black & Scholes model based on the conditions and inputs under which they were granted. Accordingly, starting from Q2 of 2022, 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 based on this model were: share price of NIS 93.99, exercise price of NIS 98.69, risk-free interest rate of 1.72% and standard deviation of 36.1%.

On June 28, 2023, the Company's Board approved the modification of the exercise price of some of the options allocated to the above officer. According to the decision, the exercise price for three portions which have not yet vested will be NIS 59.76 instead of the original exercise price of NIS 98.69. The appraiser estimated the fair value of the modification of the exercise price at approximately NIS 1.3 million.

2. On March 26, 2019, the Company's Board approved a private placement of 400,000 unlisted options which are exercisable into 400,000 Ordinary shares of the Company of NIS 0.01 par value each to an officer in the Company's subsidiary. The officer's entitlement to exercise the options will vest in four annual portions of 100,000 options each from the end of the first anniversary of the grant date for an exercise price of NIS 18.8 per share. The options are subject to certain adjustments in the event of dividend distribution, bonus shares and rights issues. Options that are not exercised into shares expire after five years from the grant date. The options will be exercised based on the partial exercise mechanism. The fair value of the options was measured on the grant date using the Black & Scholes option pricing model based on the conditions and inputs according to which they were granted at approximately NIS 1.58 million. The parameters underlying the fair value calculation of each option based on this model were: share price of NIS 19.00, exercise price of NIS 18.8, risk-free interest rate of 0.0% and standard deviation of 23%.

During 2021, the officer exercised 200,000 options into 146,457 Ordinary shares of the Company by a partial exercise mechanism. In 2024, the officer exercised the remaining 200,000 options into additional 145,533 Ordinary shares of the Company by a partial exercise mechanism.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 29:- EQUITY (Cont.)

3. On April 20, 2020, following the approval of Ashtrom Residential's Board and of Ashtrom Residential's Remuneration Committee from the same date, the Company's Board approved to allocate to Ashtrom Residential's CEO 420,000 unlisted options of the Company that may be exercised into 420,000 Ordinary shares of the Company of NIS 0.01 par value each. The exercise price of the options, before adjustments, is NIS 45 per option. The CEO is entitled to exercise the options in four equal annual tranches starting one year after the grant date. The fair value of the options was estimated using the Black & Scholes model at approximately NIS 5,095 thousand. The parameters underlying the fair value calculation of each option based on this model were: share price of NIS 44.06, exercise price of NIS 45, risk-free interest rate of 0.37% and standard deviation of 31.6%. Options that are not exercised into shares expire five years after the grant date. The options are subject to certain adjustments in the event of dividend distribution, bonus shares and rights issues. The options will be exercised based on the partial exercise mechanism and may be exercised in whole by full payment of the exercise price. On April 21, 2020, the Ashtrom Residential's general meeting approved the above allocation.

In 2023, the officer exercised 50,000 options into 16,118 Ordinary shares of the Company, in 2024, he exercised 145,000 options into 41,219 Ordinary shares of the Company and after the reporting date he exercised 120,000 options into 45,816 Ordinary shares of the Company by a partial exercise mechanism.

4. On June 28, 2023, the Company's Board approved a private placement of 850,441 unlisted options which are exercisable into 850,441 Ordinary shares of the Company of NIS 0.01 par value each to four officers in the Company's subsidiaries. The entitlement of three officers to exercise 791,685 options will vest in four equal annual portions from the end of the first anniversary of the grant date for an exercise price of NIS 59.76 per share. The entitlement of an officer to exercise 58,756 options will vest four years after the anniversary of the grant date for a similar exercise price. The options are subject to certain adjustments in the event of dividend distribution, bonus shares and rights issues. 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 17.6 million using the Black & Scholes model based on the conditions and inputs according to which they were granted. Accordingly, starting from Q3 of 2023, 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 based on this model were: share price of NIS 55.38, exercise price of NIS 59.76, risk-free interest rate of 3.63% and standard deviation of 39.19%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 29:- EQUITY (Cont.)

5. 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%.
6. As for options allocated to the Company's CEO and to the deputy CEO, who are controlling shareholders, see Note 32c(1).

e. Issue of shares:

In a public tender offering held after the reporting date, on January 9, 2025, the Company issued NIS 10,000,000 Ordinary shares for gross proceeds of approximately NIS 600 million (approximately NIS 584 million net of issue expenses).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 30:- BUSINESS OPERATING SEGMENTS AND GEOGRAPHICAL SEGMENTS

a. General:

Pursuant to IFRS 8, the Company's operating segment information is presented based on the method used by the Company's management to regularly monitor its operations.

The classification of operating segments in the Company's financial statements is derived from the reports examined by the Company's management which are based on the financial data of investees (including Ashtrom Properties which is classified as a reporting entity by the TASE) in such a manner that each of these investees represents an operating segment as well as other identified segments that exceed the quantitative threshold established in IFRS 8 and/or segments which are individually examined by management.

The Company's reportable segments are:

- Construction and infrastructure works in Israel - the activity mainly consists of performing construction and infrastructure works that include residential construction both for the Group's own needs (mainly for Ashtrom Residential and Ashtrom Properties) and for external customers, construction work for the public sector, contracting, infrastructure, office, industry and commercial construction for external customers.
- Industries - the activity mainly consists of manufacturing raw materials for the construction market such as concrete, blocks, pavers and other construction related products for the construction industry and importing and marketing end products for the construction market some of which are used by the Group in its construction works and some are sold to external customers. Industries activity was presented based on the proportionate consolidation of associates.
- Rental housing – the activity consists of participating in tenders for planning, building, financing and operating long-term rental housing in Israel.
- Concession - in Israel by participating in BOT and PFI tenders. The Group performs projects for planning, building, financing and operating courthouses in Israel, planning, building and operating dormitories in Ben-Gurion University and an associate had a project for building and operating the light rail in Jerusalem.
- Foreign operations through Ashtrom International – the activity consists of three sub-activities: (a) construction - performing public and residential construction projects abroad, including infrastructure projects such as road paving, bridge building etc. (b) development - developing residential construction projects for sale, including buying, planning, upgrading, developing and selling lands. The activity in this segment is mainly in the U.S. and Portugal (c) developing, building, leasing and managing income-producing investment properties in Romania and Serbia.
- Renewable energy – the activity consists of planning, building, financing and operating renewable energy projects in Israel and abroad.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NIS in thousands**

NOTE 30:- BUSINESS OPERATING SEGMENTS AND GEOGRAPHICAL SEGMENTS (Cont.)

- Investment property and property development through Ashtrom Properties - the activity is practically performed by Ashtrom Properties which develops, constructs, leases and manages real estate properties in Israel, Germany and England. The segment's data are the financial data presented based on the proportionate consolidation of associates with the same activity as Ashtrom Properties.
- Residential real estate development in Israel through Ashtrom Residential - this activity is practically performed by Ashtrom Residential which develops residential construction projects in Israel for sale, including buying, planning, upgrading, developing and selling the land it owns.

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 CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 30:- BUSINESS OPERATING SEGMENTS AND GEOGRAPHICAL SEGMENTS (Cont.)

b. Financial information of operating segments:

Operating results for the year ended December 31, 2024	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 - Ashtrom Residential	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	2,108,887	865,203	116,879	18,695	362,441	30,482	473,763	743,843	4,720,193	-	(260,704)	4,459,489
Intersegment revenues	297,763	142,541	-	-	-	3,856	1,569	-	445,729	(444,142)	(1,587)	-
Total revenues	2,406,650	1,007,744	116,879	18,695	362,441	34,338	475,332	743,843	5,165,922	(444,142)	(262,291)	4,459,489
Cost of revenues	2,163,989	857,570	34,280	14,767	250,557	15,411	135,561	564,454	4,036,589	(443,304)	(127,709)	3,465,576
Gross profit	242,661	150,174	82,599	3,928	111,884	18,927	339,771	179,389	1,129,333	(838)	(134,582)	993,913
Appreciation (impairment) of investment property	-	-	61,459	-	2,342		202,031	(3,840)	261,992	5,975	(98,242)	169,725
Selling and marketing expenses	5,182	76,687	6,622	-	4,374	10	735	14,161	107,771	-	(1,063)	106,708
General and administrative expenses	129,201	56,116	17,602	8,959	42,331	18,124	91,560	49,921	413,814	896	(17,000)	397,710
Net income from tax credits	-	-	-	-	-	18,735	-	-	18,735	-	-	18,735
Operating income (loss)	108,278	17,371	119,834	(5,031)	67,521	19,528	449,507	111,467	888,475	4,241	(214,761)	677,955
Earnings of associates												114,050
Other expenses												(28,401)
Operating income												763,604
Finance expenses, net												542,541
Income before taxes on income												221,063
Segment assets	2,090,985	1,226,967	4,218,216	343,371	1,114,919	1,898,583	8,576,261	3,536,660	23,005,962	(516,735)	(987,419)	21,501,808
Unallocated assets												330,479
												21,832,287
Segment liabilities	1,420,781	993,058	3,753,992	259,248	780,139	1,961,267	6,051,535	2,485,165	17,705,185	(695,561)	(983,448)	16,026,176
Unallocated liabilities												670,828
												16,697,004
Capital investments	16,900	52,666	42,447	-	688	476,434	591,609	45	1,180,789	-	(59,696)	1,121,093
Depreciation and amortization	46,304	43,820	-	861	5,459	30,256	4,058	2,613	133,371	-	(3,016)	130,355

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 30:- BUSINESS OPERATING SEGMENTS AND GEOGRAPHICAL SEGMENTS (Cont.)

b. Financial information of operating segments: (Cont.)

Operating results for the year ended December 31, 2023	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 - Ashtrom Residential	Total before adjustments	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
Segment assets	2,269,730	1,142,781	4,100,439	350,846	1,103,768	1,356,270	8,095,380	3,764,192	22,183,406	(830,304)	(964,075)	20,389,027
Unallocated assets												987,732
												21,376,759
Segment liabilities	1,497,647	888,935	3,588,149	284,912	765,985	1,405,219	5,583,755	2,664,446	16,679,048	(726,406)	(959,255)	14,993,387
Unallocated liabilities												1,433,082
												16,426,469
Capital investments	14,013	62,440	810,795	-	3,629	1,046,182	287,060	48	2,224,167	-	(108,351)	2,115,816
Depreciation and amortization	42,462	33,113	-	860	5,991	130	3,161	1,873	87,590	-	(2,965)	84,625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 30:- BUSINESS OPERATING SEGMENTS AND GEOGRAPHICAL SEGMENTS (Cont.)

b. Financial information of operating segments: (Cont.)

Operating results for the year ended December 31, 2022	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 - Ashtrom Residential	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	1,778,291	752,774	145,401	16,848	295,948	376	493,317	1,864,926	5,347,881	-	(194,968)	5,152,913
Intersegment revenues	946,147	198,790	-	-	-	3,141	4,437	-	1,152,515	(1,151,840)	(675)	-
Total revenues	2,724,438	951,564	145,401	16,848	295,948	3,517	497,754	1,864,926	6,500,396	(1,151,840)	(195,643)	5,152,913
Cost of revenues	2,459,382	814,394	84,594	13,479	223,474	3,162	214,254	1,464,545	5,277,284	(1,129,818)	(97,467)	4,049,999
Gross profit	265,056	137,170	60,807	3,369	72,474	355	283,500	400,381	1,223,112	(22,022)	(98,176)	1,102,914
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	8,035	92,190	100,225	5,458	-	105,683
Appreciation (impairment) of investment property	-	-	230,906	-	(907)	-	444,315	(656)	673,658	19,850	(128,041)	565,467
Selling and marketing expenses	3,369	66,076	1,940	-	3,096	31	1,203	14,726	90,441	-	(2,031)	88,410
General and administrative expenses	131,766	41,591	11,064	6,705	41,612	9,815	67,902	51,503	361,958	1,349	(11,163)	352,144
Operating income (loss)	129,921	29,503	278,709	(3,336)	26,859	(9,491)	666,745	425,686	1,544,596	1,937	(213,023)	1,333,510
Earnings of associates												125,643
Other income												11,213
Operating income												1,470,366
Finance expenses, net												349,312
Income before taxes on income												1,121,054
Segment assets	2,178,935	859,862	3,270,191	375,926	1,091,197	229,388	7,553,152	3,312,101	18,870,752	(744,033)	(944,446)	17,182,273
Unallocated assets												1,051,299
												18,233,572
Segment liabilities	1,498,774	623,158	2,688,392	294,334	798,864	229,053	4,998,259	2,223,981	13,354,815	(628,475)	(944,446)	11,781,894
Unallocated liabilities												1,402,104
												13,183,998
Capital investments	*) 115,829	37,731	467,263	-	2,040	738	288,576	5,467	917,644	-	(94,678)	822,966
Depreciation and amortization	42,831	29,682	-	861	6,374	-	4,555	2,496	86,799	-	(2,877)	83,922

*) In 2022, capital investments in the construction and infrastructures in Israel segment include an amount of approximately NIS 98 million for costs related to the Company's new offices in Bnei Brak.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 30:- BUSINESS OPERATING SEGMENTS AND GEOGRAPHIC SEGMENTS (Cont.)

c. Geographical information:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Revenues from external customers:			
Israel	3,913,504	4,284,502	4,731,841
America *)	186,201	246,830	202,417
West Europe (Germany, England and Portugal)	153,304	156,732	125,124
East Europe	206,480	130,856	89,372
Africa	-	-	4,159
Total revenues	4,459,489	4,818,920	5,152,913

	December 31, 2024	December 31, 2023
Non-current assets:		
Israel	12,696,409	12,313,641
America *)	1,759,741	1,340,635
West Europe (Germany, England and Portugal)	2,690,028	2,294,248
East Europe	428,155	433,804
Africa	357	11,327
Total non-current assets (excluding deferred taxes)	17,574,690	16,393,655

*) Including Jamaica.

NOTE 31:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
a. Selling expenses:			
Advertising and marketing	61,835	55,819	50,887
Salaries and payroll accruals	44,873	45,642	37,523
Total	106,708	101,461	88,410

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

NOTE 31:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
b. General and administrative expenses:			
Salaries and payroll accruals	261,214	250,869	247,457
Rent and office maintenance	41,631	36,642	33,554
Legal and audit fees	22,491	28,327	18,615
Depreciation and amortization	25,670	20,106	14,801
Management fees	5,951	4,242	3,125
Doubtful accounts	2,170	3,104	1,411
Other	38,583	44,832	33,181
Total	397,710	388,122	352,144
c. Other income (expenses), net:			
Gain (loss) from sale of property, plant and equipment	(5,588)	653	846
Appreciation (impairment) of real estate, net (Note 9b(2) (3))	158	(33,090)	26,936
Gains from obtaining control and sale of associates (Note 14d(2) (3))	(1,781)	26,593	-
Impairment loss and sale of investments	(14,295)	(17)	(3,439)
Other	(6,895)	(8,529)	(13,130)
Total	(28,401)	(14,390)	11,213
d. Finance income and expenses:			
Finance expenses:			
Finance expenses from debentures	319,775	287,096	262,473
Finance expenses from long-term loans	430,912	317,651	181,426
Finance expenses from short-term credit	93,482	95,876	33,555
Loss from revaluation of marketable securities	-	-	54,121
Expenses related to exchange rate differences	1,176	-	1,943
Expenses from financial instruments	11,756	591	-
Expenses from lease liabilities	21,447	8,185	6,627
Other finance expenses	26,150	16,516	11,592
Finance expenses capitalized to assets	(222,970)	(213,782)	(106,172)
Total	681,728	512,133	445,565
Finance income:			
Interest from related companies	42,016	31,676	26,912
Gain from revaluation of marketable securities	39,646	38,913	-
Interest and linkage on receivables from concession arrangements	18,513	19,058	24,310
Interest from bank deposits	33,521	24,905	5,394
Income from financial instruments	-	21,149	20,911
Income related to exchange rate differences	-	11,943	407
Other	5,491	14,400	18,319
Total	139,187	162,044	96,253

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 32:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

- a. Transactions with shareholders and other related parties:

Year ended December 31, 2024	Controlling shareholders and companies Interested and			Associates
	See item	they own	related parties	
Finance income		-	-	42,016
Revenues from management fees and rentals		120	216	11,711
Refund of salary expenses		1,518	-	-
Rent expenses		-	-	3,528
Commissions		38	-	-

Year ended December 31, 2023	Controlling shareholders and companies Interested and			Associates
	See item	they own	related parties	
Finance income		-	-	31,676
Revenues from management fees and rentals		156	208	12,147
Refund of salary expenses		1,206	-	-
Rent expenses		-	-	3,522
Commissions		43	-	-

Year ended December 31, 2022	Controlling shareholders and companies Interested and			Associates
	See item	they own	related parties	
Finance income		-	-	26,912
Revenues from management fees and rentals		161	212	10,327
Refund of salary expenses		773	-	-
Rent expenses	d3	2,030	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 32:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES
(Cont.)

b. Balances with shareholders and other related parties:

December 31, 2024	Controlling shareholders and companies Interested and		
	they own	related parties	Associates
Receivables:			
Trade and unbilled receivables	768	-	14,580
Other accounts receivable	-	-	2,633
Loans to investees, net	-	-	815,699
	<u>768</u>	<u>-</u>	<u>832,912</u>
Payables:			
Advances from buyers of apartments	-	1,072	-
Other accounts payable	-	-	7,541
Employee benefit liabilities	13,427	-	-
	<u>13,427</u>	<u>1,072</u>	<u>7,541</u>
The highest balance in the reporting year:			
Trade and unbilled receivables	768	-	-
Other accounts receivable	-	-	-

December 31, 2023	Controlling shareholders and companies Interested and		
	they own	related parties	Associates
Receivables:			
Trade and unbilled receivables	456	-	13,050
Other accounts receivable	-	-	2,964
Loans to investees, net	-	-	702,114
	<u>456</u>	<u>-</u>	<u>718,128</u>
Payables:			
Advances from buyers of apartments	-	38,439	-
Other accounts payable	-	-	9,096
Employee benefit liabilities	12,902	-	-
	<u>12,902</u>	<u>38,439</u>	<u>9,096</u>
The highest balance in the reporting year:			
Trade and unbilled receivables	456	-	-
Other accounts receivable	47	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 32:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES
(Cont.)

c. Benefits to interested parties:

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Salaries and related expenses to controlling shareholders and their relatives employed by the Company (NIS in thousands)	12,739	14,997	27,493
Number of people	5	5	6
Benefits to directors not employed by the Company (NIS in thousands)	1,080	1,064	1,253
Number of people	5	6	7

Employment agreements with the controlling shareholders:

The controlling shareholders serve in the Company as chairman of the Board, CEO and two deputy CEOs. On May 24, 2022, the Company's Board approved new terms of employment effective from June 2022 as follows: the monthly salary of the Company's chairman of the Board and CEO was updated to NIS 165 thousand, the monthly salary of the deputy CEO was updated to NIS 135 thousand and the monthly salary of another deputy CEO was updated to NIS 115 thousand. In addition, the controlling shareholders' entitlement to annual bonus was updated in effect from January 2022. The bonus derives from the annual net income of the Company higher than NIS 250 million, based on the following ceilings: the ceiling for the bonus to each of the Company's chairman of the Board and CEO was updated to NIS 4.2 million, the ceiling of the bonus to the deputy CEO was updated to NIS 2.0 million and the ceiling of the bonus to another deputy CEO was updated to NIS 0.9 million. These terms of employment were approved by the Company's general meeting of July 7, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NIS in thousands

NOTE 32:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES
(Cont.)

In addition, on the same date, the Company's Board approved a private placement of unlisted options which are exercisable into Ordinary shares of the Company of NIS 0.01 par value each to the Company's CEO and deputy CEO. Their entitlement to exercise the options will vest in three annual portions from the end of the first anniversary of the grant date and the exercise price of the first, second and third portion being 10%, 20% and 30% higher, respectively, than the average closing price of the Company's shares in the 30 trading days before the Board's decision. The options are subject to certain adjustments in the event of dividend distribution, bonus shares and rights issues. Vested options of the first and second portions may be exercised up to three years after vesting and vested options of the third portion may be exercised up to two years after vesting. The fair value of the options that the Company's Board has decided to grant is NIS 3,400 thousand for the Company's CEO and NIS 2,850 thousand for the deputy CEO, as calculated using the Black & Scholes model. The allocation of the options was approved by the Company's general meeting on July 7, 2022. Based on the value measured as per an independent external appraiser close to the date of the general meeting, the number of options allocated to the Company's CEO and deputy CEO was 188,010 and 157,599, respectively. The exercise prices of the first, second and third portions are NIS 96.02, NIS 104.75 and NIS 113.47 per share, respectively.

d. Engagements and transactions:

1. On March 26, 2024, following the approval of the Audit Committee from March 20, 2024, the Company's Board approved the Company's engagement for the sale of two apartments in the Company's project in Portugal to a company owned by Mrs. Dafna Levi and Mr. Jonathan Levi for total proceeds of € 1,800 thousand, reflecting the market value of the apartments. Mr. Jonathan Levi is a director in the Company and his wife, Dafna, is the sister of Mr. Gil Gueron, a director and the CEO of the Company, who is a controlling shareholder in the Company.
2. Ashtrom Residential and its partner signed agreements with buyers of units in the northern building in the Hof Hazuk project of Ashtrom Residential and its partner, including interested parties. At the reporting date, the carrying amount of advances from interested parties totaled NIS 928 thousand (2023 - same). The subsidiary's share is 50%. After the new plan for the project's lands was approved, including the rezoning of the northern tower for residential units (instead of hotel units), the construction of the project in its previous format has been halted. Ashtrom Residential and its partner are promoting a new plan for the project, based on the new plan approved. The Company estimates that as of the reporting date it does not have material exposure from the delay in completing the project. See Note 9b(10).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NIS in thousands

**NOTE 32:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES
(Cont.)**

3. On January 25, 2023, Ashtrom Properties' Board approved the agreement of Ashtrom Properties with the shareholders of the Company and its partner through Ashtrom Port Partnership, that is wholly owned by it ("Port"). According to the agreement, Port will rent about 3,200 sq.m. in an office building in Tel-Aviv (the previous location of the Company's offices until October 2022) for the purpose of operating a co-working space complex. The lease is for a period of 60 months including 3 extension options of 60 months each. Port will pay NIS 420 thousand for each month of rent in the first 24 months, NIS 440 thousand for months 25-60, plus a nominal increase of 5%, 6% and 7% for each extension option exercised, respectively.

On January 31, 2023, the Company's Audit Committee approved the aforementioned transaction. As a result of this agreement, in 2023, Ashtrom properties recognized a right-of-use asset (in the item investment property) against a lease liability of approximately NIS 64 million.

4. The Company and one of the controlling shareholders therein are partners in several companies that operate in the U.S. (the Company's share is 50%). According to agreements between the Company and the controlling shareholder, the latter is entitled to reimbursement of expenses. In 2022-2024, negligible amounts were paid to the controlling shareholder.

NOTE 33:- NET EARNINGS PER SHARE

Details of the number of shares (in thousands) and income (NIS in thousands) used in the computation of net earnings per share:

	2024	2024	2023	2023	2022	2022
	Weighted number of shares	Net income	Weighted number of shares	Net income	Weighted number of shares	Net income
Year ended December 31,						
Number of shares and income used in computation of basic earnings per share	101,374	169,661	101,228	30,955	101,222	930,846
Adjustments	-	-	-	-	-	-
Total used in the computation of diluted net earnings	101,374	169,661	101,228	30,955	101,222	930,846
