

ASHTROM GROUP LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2024

UNAUDITED

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

Introduction

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

We did not review the condensed interim financial information of subsidiaries, whose assets constitute approximately 14% of total consolidated assets as of June 30, 2024, and whose revenues constitute approximately 7% and 6% of total consolidated revenues for the six and three months periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of companies accounted for at equity the investment in which amounted to approximately NIS 67 million as of June 30, 2024 and the Group's share of their earnings amounted to approximately NIS 1.4 million and NIS 0.6 million for the six and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel
August 25, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NIS in thousands

	June 30, 2024 Unaudited	June 30, 2023 Unaudited	December 31, 2023 Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	904,284	870,903	1,409,337
Short-term investments	907,359	863,173	724,401
Trade and unbilled receivables	917,317	1,488,110	1,025,418
Other accounts receivable	240,928	157,568	217,652
Inventories of buildings and retail space for sale	1,275,088	1,326,691	1,379,835
Inventories	161,834	130,337	174,941
Total	4,406,810	4,836,782	4,931,584
Assets held for sale	-	8,928	-
Total current assets	4,406,810	4,845,710	4,931,584
NON-CURRENT ASSETS:			
Lands for construction	1,617,672	2,030,313	1,945,370
Investment property under construction	620,964	2,236,705	1,616,380
Receivables from concession arrangements	239,601	249,592	243,542
Payments on account of purchase of investment property	476,605	476,595	476,597
Investment property	8,293,226	6,536,289	7,120,408
Associates	2,010,312	1,728,285	1,914,261
Other receivables and investments	287,650	706,319	337,728
Property, plant and equipment, net	3,100,381	1,391,544	2,653,230
Intangible assets and goodwill	83,168	42,128	86,139
Deferred taxes	60,235	68,455	51,520
Total non-current assets	16,789,814	15,466,225	16,445,175
Total assets	21,196,624	20,311,935	21,376,759

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NIS in thousands

	June 30, 2024 Unaudited	June 30, 2023 Unaudited	December 31, 2023 Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	809,882	981,911	758,733
Loans from institutional entities	550,000	374,393	550,000
Current maturities of non-current liabilities	1,278,635	1,595,056	1,637,637
Subcontractors and trade payables	968,952	1,190,946	931,481
Liability for combination transactions	115,782	85,277	116,452
Advances from customers and buyers of apartments and real estate	165,958	206,707	196,035
Other accounts payable	432,569	355,635	413,223
Total current liabilities	4,321,778	4,789,925	4,603,561
NON-CURRENT LIABILITIES:			
Loans from banks	4,413,245	2,740,783	4,014,799
Loans from institutional entities	1,999,107	1,960,746	1,979,791
Debentures	4,663,447	4,927,669	4,973,421
Lease liabilities	287,923	202,565	291,527
Other liabilities	95,435	16,376	151,071
Employee benefit liabilities	21,966	19,738	21,475
Deferred taxes	342,036	499,044	390,824
Total non-current liabilities	11,823,159	10,366,921	11,822,908
Total liabilities	16,144,937	15,156,846	16,426,469
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	57,158	57,156	57,157
Share premium	1,340,685	1,339,348	1,339,895
Retained earnings	3,371,244	3,493,101	3,359,572
Reserves	65,315	59,025	(14,742)
Total	4,834,402	4,948,630	4,741,882
Non-controlling interests	217,285	206,459	208,408
Total equity	5,051,687	5,155,089	4,950,290
Total liabilities and equity	21,196,624	20,311,935	21,376,759

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

Avraham Nussbaum Chairman of the Board	Gil Gueron Managing Director and Member of the Board	Gal Omer Chief Financial Officer	Yeshayahu Abramovitch Chief Accounting Officer
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Date of approval of the financial statements: August 25, 2024.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

NIS in thousands

	Six months ended June 30, 2024 Unaudited	Six months ended June 30, 2023 Unaudited	Three months ended June 30, 2024 Unaudited	Three months ended June 30, 2023 Unaudited	Year ended December 31, 2023 Audited
Revenues	2,179,619	2,515,011	1,066,018	1,260,540	4,818,920
Cost of revenues	1,718,928	1,986,652	827,784	995,434	3,828,374
Gross profit	460,691	528,359	238,234	265,106	990,546
Gain from change in designation from inventories to investment property	-	57,776	-	57,776	57,776
Appreciation (impairment) of investment property, net	50,140	(38,504)	57,129	(34,498)	(232,434)
	510,831	547,631	295,363	288,384	815,888
Selling and marketing expenses	50,781	48,943	25,963	24,442	101,461
General and administrative expenses	190,927	189,448	94,763	96,186	388,122
Group's share of earnings of associates, net	21,797	37,965	15,671	27,267	40,189
Other income (expenses), net	(4,602)	2,065	(8,360)	907	(14,390)
Operating income	286,318	349,270	181,948	195,930	352,104
Finance expenses	(362,548)	(269,294)	(223,130)	(141,129)	(512,133)
Finance income	78,136	107,917	32,835	82,009	162,044
Income (loss) before taxes on income	1,906	187,893	(8,347)	136,810	2,015
Taxes on income (tax benefit)	(17,557)	20,855	(21,437)	18,532	(35,974)
Net income	19,463	167,038	13,090	118,278	37,989
Net income attributable to:					
Equity holders of the Company	11,672	163,067	6,081	116,159	30,955
Non-controlling interests	7,791	3,971	7,009	2,119	7,034
	19,463	167,038	13,090	118,278	37,989
Net earnings per share attributable to equity holders of the Company (in NIS):					
Basic and diluted net earnings	0.12	1.61	0.06	1.15	0.31

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NIS in thousands

	Six months ended June 30, 2024 Unaudited	Six months ended June 30, 2023 Unaudited	Three months ended June 30, 2024 Unaudited	Three months ended June 30, 2023 Unaudited	Year ended December 31, 2023 Audited
Net income	19,463	167,038	13,090	118,278	37,989
Other comprehensive income (net of tax effect):					
Amounts that have been reclassified or will be reclassified in the future to profit or loss, net of tax:					
Gain (loss) from cash flow hedges	32,292	-	9,787	-	(50,492)
Adjustments arising from translating financial statements of foreign operations	37,769	138,322	38,698	45,002	99,288
Group's share of net other comprehensive income of associates from adjustments arising from translating financial statements of foreign operations	576	5,411	1,050	1,865	5,109
	70,637	143,733	49,535	46,867	53,905
Amounts that will not be reclassified in the future to profit or loss, net of tax:					
Revaluation of property, plant and equipment (lands and buildings)	4,245	8,123	1,842	(303)	17,449
Remeasurement loss from defined benefit plans, net	-	-	-	-	(1,417)
	4,245	8,123	1,842	(303)	16,032
Total other comprehensive income	74,882	151,856	51,377	46,564	69,937
Total comprehensive income	94,345	318,894	64,467	164,842	107,926
Total comprehensive income attributable to:					
Equity holders of the Company	86,129	303,974	55,644	159,166	90,309
Non-controlling interests	8,216	14,920	8,823	5,676	17,617
Total	94,345	318,894	64,467	164,842	107,926

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for hedges	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2024 (audited)	57,157	1,339,895	25,013	3,359,572	20,220	373,084	(324,148)	(50,492)	(58,419)	4,741,882	208,408	4,950,290
Net income	-	-	-	11,672	-	-	-	-	-	11,672	7,791	19,463
Total other comprehensive income	-	-	-	-	-	4,245	37,920	32,292	-	74,457	425	74,882
Total comprehensive income	-	-	-	11,672	-	4,245	37,920	32,292	-	86,129	8,216	94,345
Cost of share-based payment	-	-	-	-	6,390	-	-	-	-	6,390	-	6,390
Exercise of share options	1	790	-	-	(790)	-	-	-	-	1	-	1
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	-	230	230
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	-	-	-	431	431
Balance at June 30, 2024	57,158	1,340,685	25,013	3,371,244	25,820	377,329	(286,228)	(18,200)	(58,419)	4,834,402	217,285	5,051,687

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2023 (audited)	57,156	1,339,288	25,013	3,530,034	10,428	355,635	(417,962)	(44,308)	4,855,284	194,290	5,049,574
Net income	-	-	-	163,067	-	-	-	-	163,067	3,971	167,038
Total other comprehensive income	-	-	-	-	-	8,123	132,784	-	140,907	10,949	151,856
Total comprehensive income	-	-	-	163,067	-	8,123	132,784	-	303,974	14,920	318,894
Transaction with non-controlling interests	-	-	-	-	-	-	-	(14,111)	(14,111)	(2,751)	(16,862)
Cost of share-based payment	-	-	-	-	3,483	-	-	-	3,483	-	3,483
Exercise of share options	-	60	-	-	(60)	-	-	-	-	-	-
Dividend to equity holders of the Company	-	-	-	(200,000)	-	-	-	-	(200,000)	-	(200,000)
Balance at June 30, 2023	57,156	1,339,348	25,013	3,493,101	13,851	363,758	(285,178)	(58,419)	4,948,630	206,459	5,155,089

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for hedges	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at April 1, 2024	57,157	1,340,685	25,013	3,365,163	22,887	375,487	(324,162)	(27,987)	(58,419)	4,775,824	208,410	4,984,234
Net income	-	-	-	6,081	-	-	-	-	-	6,081	7,009	13,090
Total other comprehensive income	-	-	-	-	-	1,842	37,934	9,787	-	49,563	1,814	51,377
Total comprehensive income	-	-	-	6,081	-	1,842	37,934	9,787	-	55,644	8,823	64,467
Exercise of share options	1	-	-	-	-	-	-	-	-	1	-	1
Cost of share-based payment	-	-	-	-	2,933	-	-	-	-	2,933	-	2,933
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	-	52	52
Balance at June 30, 2024	57,158	1,340,685	25,013	3,371,244	25,820	377,329	(286,228)	(18,200)	(58,419)	4,834,402	217,285	5,051,687

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at April 1, 2023	57,156	1,339,348	25,013	3,376,942	12,488	364,061	(328,488)	(44,308)	4,802,212	203,534	5,005,746
Net income	-	-	-	116,159	-	-	-	-	116,159	2,119	118,278
Total other comprehensive income (loss)	-	-	-	-	-	(303)	43,310	-	43,007	3,557	46,564
Total comprehensive income (loss)	-	-	-	116,159	-	(303)	43,310	-	159,166	5,676	164,842
Transaction with non-controlling interests	-	-	-	-	-	-	-	(14,111)	(14,111)	(2,751)	(16,862)
Cost of share-based payment	-	-	-	-	1,363	-	-	-	1,363	-	1,363
Balance at June 30, 2023	57,156	1,339,348	25,013	3,493,101	13,851	363,758	(285,178)	(58,419)	4,948,630	206,459	5,155,089

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands, audited

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS in thousands

	Six months ended June 30, 2024 Unaudited	Six months ended June 30, 2023 Unaudited	Three months ended June 30, 2024 Unaudited	Three months ended June 30, 2023 Unaudited	Year ended December 31, 2023 Audited
<u>Cash flows from operating activities:</u>					
Net income	19,463	167,038	13,090	118,278	37,989
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Adjustments to the profit or loss items:					
Group's share of earnings of associates, net	(21,797)	(37,965)	(15,671)	(27,267)	(40,189)
Impairment (appreciation) of investment property and investment property under construction, net	(50,140)	38,504	(57,129)	34,498	232,434
Interest costs, net	136,774	106,335	70,778	35,624	208,765
Gain from marketable securities	(22,273)	(19,745)	(2,980)	(17,775)	(38,913)
Depreciation and amortization of property, plant and equipment and intangible assets	52,535	40,305	27,573	20,190	84,625
Gain from change in designation from inventories to investment property	-	(57,776)	-	(57,776)	(57,776)
Deferred taxes, net	(60,307)	(32,174)	(44,539)	(9,952)	(128,538)
Impairment of lands for construction	-	-	-	-	33,090
Revaluation of long-term loans	38,705	45,373	32,282	19,511	58,237
Revaluation of debentures	97,027	91,115	67,926	53,083	141,181
Loss from sale and appreciation of investments	1	8	-	3	17
Change in employee benefit liabilities, net	491	(1,031)	459	(350)	(862)
Cost of share-based payment	6,390	3,483	2,933	1,363	10,399
Gain from sale of property, plant and equipment	(1,458)	(577)	(200)	(493)	(653)
Gain from remeasurement of investments in associates	-	-	-	-	(26,593)
Revaluation of long-term receivables and other investments	28,827	(35,666)	19,805	(43,002)	(23,288)
Gain from receivables from concession arrangements	(4,835)	(6,445)	(4,100)	(3,587)	(8,714)
Total	199,940	133,744	97,137	4,070	443,222
<u>Changes in asset and liability items:</u>					
Decrease in trade and unbilled receivables and in other accounts receivable	119,395	19,677	56,685	72,609	521,885
Decrease (increase) in inventories of buildings and retail space for sale less advances from customers and from buyers of apartments and in inventories	168,610	(58,143)	81,506	(7,216)	47,462
Increase (decrease) in subcontractors and trade payables and in other accounts payable	11,629	(8,718)	(19,906)	(56,385)	(28,567)
	299,634	(47,184)	118,285	9,008	540,780
<u>Cash paid and received during the period for:</u>					
Dividend received	-	1,450	-	-	9,950
Taxes paid, net	(19,820)	(29,273)	(3,039)	(4,374)	(56,809)
	(19,820)	(27,823)	(3,039)	(4,374)	(46,859)
Net cash provided by operating activities before purchase of lands for construction, net	499,217	225,775	225,473	126,982	975,132
Purchase of lands for construction	(88,423)	(781,421)	(72,094)	(80,461)	(830,661)
Proceeds from sale of lands for construction	287,100	-	287,100	-	-
Value added tax received (paid) on lands for construction	59,160	(7,261)	59,160	81,092	-
Net cash provided by (used in) operating activities	757,054	(562,907)	499,639	127,613	144,471

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS in thousands

	Six months ended June 30, 2024 Unaudited	Six months ended June 30, 2023 Unaudited	Three months ended June 30, 2024 Unaudited	Three months ended June 30, 2023 Unaudited	Year ended December 31, 2023 Audited
<u>Cash flows from investing activities:</u>					
Investment in investment property	(68,694)	(87,283)	(34,197)	(46,110)	(189,777)
Investment in investment property under construction	(4,078)	(393,202)	(2,514)	(19,347)	*) (408,194)
Payments on account of investment property	(8)	(386,339)	-	(51)	*) (386,341)
Sale of (investment in) in short-term investments, net	(160,392)	95,982	(80,818)	(82,512)	253,922
Purchase of property, plant and equipment	(372,617)	(41,740)	(119,282)	(21,150)	(1,131,504)
Interest received	21,121	7,896	14,989	2,356	16,687
Grant of long-term loans to associates, net	(31,512)	(25,580)	(13,751)	(8,985)	(75,215)
Collection of receivables from concession arrangements	8,051	7,452	4,069	3,772	15,239
Acquisition of newly consolidated company	-	-	-	-	(4,184)
Investment in associates and other investments	(739)	-	(661)	-	(157,399)
Proceeds from sale of property, plant and equipment and investment property	1,804	47,566	379	37,357	59,941
Grant of long-term loans and other investments	(16,460)	(140,891)	(1,598)	(71,524)	(84,191)
Collection of long-term loans and deposits	35,519	23,711	22,668	20,121	26,013
Net cash used in investing activities	(588,005)	(892,428)	(210,716)	(186,073)	(2,065,003)
<u>Cash flows from financing activities:</u>					
Issue of debentures (net of issue expenses)	-	828,004	-	737,723	1,414,406
Repayment of debentures	(443,980)	(380,234)	(171,421)	(171,635)	(724,568)
Receipt of long-term loans from banks and others	493,128	1,350,298	233,613	174,349	2,514,309
Repayment of long-term loans from banks and others	(433,135)	(239,857)	(339,746)	(177,727)	(445,248)
Short-term credit from banks and others, net	5,778	285,032	78,716	(106,307)	309,195
Repayment of lease liabilities	(19,605)	(12,626)	(9,308)	(5,798)	(29,214)
Interest paid	(280,122)	(215,170)	(141,265)	(93,858)	(418,116)
Proceeds from exercise of options	1	-	1	-	1
Dividend to equity holders of the Company	-	(200,000)	-	(200,000)	(200,000)
Dividend to non-controlling interests	-	-	-	-	(1,117)
Transaction with non-controlling interests	230	(16,862)	52	(16,862)	(16,493)
Net cash provided by (used in) financing activities	(677,705)	1,398,585	(349,358)	139,885	2,403,155
Translation differences of balances of cash and cash equivalents	3,603	5,762	2,567	3,250	4,823
Increase (decrease) in cash and cash equivalents	(505,053)	(50,988)	(57,868)	84,675	487,446
Cash and cash equivalents at the beginning of the period	1,409,337	921,891	962,152	786,228	921,891
Cash and cash equivalents at the end of the period	904,284	870,903	904,284	870,903	1,409,337

*) Reclassified.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS in thousands

	Six months ended June 30, 2024 Unaudited	Six months ended June 30, 2023 Unaudited	Three months ended June 30, 2024 Unaudited	Three months ended June 30, 2023 Unaudited	Year ended December 31, 2023 Audited
<u>Significant non-cash transactions:</u>					
Right-of-use asset recognized against lease liability	11,257	110,954	6,604	3,238	207,234

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

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

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

The consequences of Hamas organization's combined attack on October 7 against the State of Israel, particularly targeting the settlements in the Western Negev, resulted in the Israeli Government declaring the Swords of Iron war ("the war") which led to an escalation and ongoing clashes with Hezbollah organization in the north that continued into H1 of 2024. As of the date of approval of the financial statements, the consequences persist including the escalation of relations with Iran with a missile attack from its territory, the intensified protests due to the war and hostages that have yet to be returned.

The prolonged war, with its uncertain ending and outcomes, had an impact on the Israeli market, which was already facing challenges such as rising inflation, high interest rates, increased living costs, a weakening capital market, a growing budget deficit, geopolitical tensions and a downgrade in the State of Israel's rating by international rating agencies. Further, after the reporting date, the rating agency, Fitch, announced that it has downgraded the State of Israel's rating from A+ to A- with a negative outlook and this follows similar downgrades by the rating agencies Moody's and S&P.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (Cont.)

As the construction segment experiences a slowdown, it naturally impacts the Group's industrial segment, which is heavily dependent on construction activities. Additionally, the war could result in higher construction costs, among others, due to the crisis in the relations with Turkey. Should this situation continue, the Company might need to seek other options which could lead to higher construction costs and the need for replacements for some products used in its industrial operations. It is important to highlight that, at present, the boycott is unlikely 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 rates in the market and ongoing inflation (the index for H1 of 2024 increased by 2.1% and for July 2024 by 0.6% and the expected annual inflation rate, as revised by the Bank of Israel, is about 2.8%).

As for the Company's activity in the income-producing property market, both the occupancy rates and rent collection of its income-producing properties remained stable (if there are any changes, they are immaterial).

As of the date of approval of the financial statements, the Group is unable to determine the extent of any future implications of the war, such as potential escalation, on the scope of its operations and business results, among others, given the extreme volatility in the markets, uncertainty regarding the duration and intensity of the war, the potential ramifications on the Company's operations and any other measures that may be taken by the Israeli Government. Nonetheless, with respect to its financial condition, the Company is stable and its financial stability in the future, its ability to meet financial covenants, fulfill contracts it signed and carrying out its ongoing ordinary business operations are not at risk due to its steady cash flows, order backlog, sufficient cash reserves and access to financing facilities. It is indicated that as of June 30, 2024, the Group's unutilized credit facilities total approximately NIS 1 billion. Despite this, the continued damage to the capital markets, such as Israel's credit rating being downgraded by international rating agencies and entering a long recession may impact market liquidity, companies' ability to secure favorable borrowing terms and their access to additional sources of borrowing in the market. The Group regularly monitors and evaluates the developments of the war and examines its exposure and effect on its operations and will respond with actions as required.

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

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

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below.

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

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

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

According to the Subsequent Amendment:

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

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

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

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

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

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

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

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

The Amendments are applied for annual reporting periods beginning on January 1, 2024.

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

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

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

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

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

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

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

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

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

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

NOTE 3:- FINANCIAL INSTRUMENTS*Fair value:*

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

	Carrying amount June 30, 2024 Unaudited	Carrying amount June 30, 2023 Unaudited	Carrying amount December 31, 2023 Unaudited	Fair value June 30, 2024 Unaudited	Fair value June 30, 2023 Unaudited	Fair value December 31, 2023 Audited
Financial assets:						
Receivables from concession arrangements (1)	256,538	265,271	259,753	240,180	268,378	258,460
Financial liabilities:						
Loans with fixed interest (1)	3,070,845	3,198,785	3,098,362	2,868,331	3,013,142	2,970,320
Debentures (2)	5,694,004	5,759,120	6,047,002	5,504,700	5,535,902	5,927,051
	8,764,849	8,957,905	9,145,364	8,373,031	8,549,044	8,897,371

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING

a. General:

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

b. Reporting on operating segments:

Six months ended June 30, 2024 (NIS in thousands, unaudited):

	Construction and infra- structures in Israel	Industries	Rental housing	Concessions	Foreign operations - Ashtrom International	Renewable energy	Investment property and property development - Ashtrom Properties	Residential real estate development in Israel - Ashdar	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	1,012,767	388,516	66,127	9,253	168,926	92	205,034	429,809	2,280,524	-	(100,905)	2,179,619
Intersegment revenues	162,401	65,240	-	-	-	1,579	953	-	230,173	(227,298)	(2,875)	-
Total revenues	1,175,168	453,756	66,127	9,253	168,926	1,671	205,987	429,809	2,510,697	(227,298)	(103,780)	2,179,619
Cost of revenues	1,064,448	386,896	28,597	7,324	122,451	1,695	53,681	331,340	1,996,432	(232,384)	(45,120)	1,718,928
Gross profit	110,720	66,860	37,530	1,929	46,475	(24)	152,306	98,469	514,265	5,086	(58,660)	460,691
Appreciation (impairment) of investment property	-	-	16,944	-	(366)	-	42,977	-	59,555	1,951	(11,366)	50,140
Selling and marketing expenses	1,295	37,073	3,861	-	2,110	10	239	6,704	51,292	-	(511)	50,781
General and administrative expenses	62,152	26,950	8,522	4,315	19,965	8,417	42,660	24,950	197,931	456	(7,460)	190,927
Operating income (loss)	47,273	2,837	42,091	(2,386)	24,034	(8,451)	152,384	66,815	324,597	6,581	(62,055)	269,123
Earnings of associates												21,797
Other expenses												(4,602)
Operating income												286,318
Finance expenses, net												284,412
Income before taxes on income												1,906

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

Six months ended June 30, 2023 (NIS in thousands, unaudited):

	Construction and infra-structures in		Rental housing	Concessions	Foreign operations - Ashtrom International	Renewable energy	Investment property and property development - Ashtrom Properties	Residential real estate development in Israel - Ashdar	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	1,043,443	442,882	73,108	8,746	192,103	86	208,645	679,350	2,648,363	-	(133,352)	2,515,011
Intersegment revenues	359,892	104,727	-	-	-	1,780	-	-	466,399	(465,622)	(777)	-
Total revenues	1,403,335	547,609	73,108	8,746	192,103	1,866	208,645	679,350	3,114,762	(465,622)	(134,129)	2,515,011
Cost of revenues	1,270,836	470,632	41,092	7,138	144,349	1,692	53,651	531,472	2,520,862	(456,419)	(77,791)	1,986,652
Gross profit	132,499	76,977	32,016	1,608	47,754	174	154,994	147,878	593,900	(9,203)	(56,338)	528,359
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	-	55,804	55,804	1,972	-	57,776
Appreciation (impairment) of investment property	-	-	(27,839)	-	1,972	-	18,525	-	(7,342)	8,239	(39,401)	(38,504)
Selling and marketing expenses	2,153	36,359	952	-	1,632	24	322	8,848	50,290	-	(1,347)	48,943
General and administrative expenses	61,692	25,660	6,742	4,589	22,179	6,948	41,989	26,021	195,820	539	(6,911)	189,448
Operating income (loss)	68,654	14,958	(3,517)	(2,981)	25,915	(6,798)	131,208	168,813	396,252	469	(87,481)	309,240
Earnings of associates												37,965
Other income												2,065
Operating income												349,270
Finance expenses, net												161,377
Income before taxes on income												187,893

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

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

	Construction and infra-structures in		Rental housing	Concessions	Foreign operations - Ashtrom International	Renewable energy	Investment property and property development - Ashtrom Properties	Residential real estate development in Israel - Ashdar	Total before adjustments	Adjustments	Adjustments - associates	Total
	Israel	Industries										
Revenues from external customers	493,936	206,710	21,685	4,588	76,461	29	104,486	209,960	1,117,855	-	(51,837)	1,066,018
Intersegment revenues	73,722	33,795	-	-	-	1,486	327	-	109,330	(107,367)	(1,963)	-
Total revenues	567,658	240,505	21,685	4,588	76,461	1,515	104,813	209,960	1,227,185	(107,367)	(53,800)	1,066,018
Cost of revenues	512,830	204,210	5,151	3,604	52,777	1,563	26,148	158,743	965,026	(113,498)	(23,744)	827,784
Gross profit	54,828	36,295	16,534	984	23,684	(48)	78,665	51,217	262,159	6,131	(30,056)	238,234
Appreciation (impairment) of investment property	-	-	21,843	-	(216)	-	48,100	-	69,727	306	(12,904)	57,129
Selling and marketing expenses	600	18,824	2,606	-	1,126	-	81	3,006	26,243	-	(280)	25,963
General and administrative expenses	32,075	13,510	4,102	2,024	9,098	3,197	21,476	12,745	98,227	152	(3,616)	94,763
Operating income (loss)	22,153	3,961	31,669	(1,040)	13,244	(3,245)	105,208	35,466	207,416	6,285	(39,064)	174,637
Earnings of associates												15,671
Other income												(8,360)
Operating income												181,948
Finance expenses, net												190,295
Loss before taxes on income												(8,347)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

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

	Construction and infra-structures in		Rental housing	Concessions	Foreign operations - Ashtrom International	Renewable energy	Investment property and property development - Ashtrom Properties	Residential real estate development in Israel - Ashdar	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	534,592	217,651	27,366	4,399	129,397	69	107,586	306,294	1,327,354	-	(66,814)	1,260,540
Intersegment revenues	140,525	51,334	-	-	-	1,179	-	-	193,038	(192,656)	(382)	-
Total revenues	675,117	268,985	27,366	4,399	129,397	1,248	107,586	306,294	1,520,392	(192,656)	(67,196)	1,260,540
Cost of revenues	612,942	232,701	14,492	3,536	97,063	1,142	27,726	238,114	1,227,716	(193,171)	(39,111)	995,434
Gross profit	62,175	36,284	12,874	863	32,334	106	79,860	68,180	292,676	515	(28,085)	265,106
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	-	55,804	55,804	1,972	-	57,776
Appreciation (impairment) of investment property	-	-	(9,393)	-	1,880	-	8,919	-	1,406	2,100	(38,004)	(34,498)
Selling and marketing expenses	1,090	18,482	459	-	945	15	154	3,526	24,671	-	(229)	24,442
General and administrative expenses	34,252	12,718	3,470	2,098	10,986	3,488	19,303	13,639	99,954	221	(3,989)	96,186
Operating income (loss)	26,833	5,084	(448)	(1,235)	22,283	(3,397)	69,322	106,819	225,261	4,366	(61,871)	167,756
Earnings of associates												27,267
Other income												907
Operating income												195,930
Finance expenses, net												59,120
Income before taxes on income												136,810

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- a. During Q1 of 2024, the construction of the project for residential units and retail space for rent in Kiryat HaYovel, Jerusalem, was completed and it began to be rented. As a result, the property valued at approximately NIS 991 million was classified from investment property under construction to investment property.
- b. On April 21, 2024, Maalot issued a rating report in which it reaffirmed the ilA/Stable rating for the Company and the ilA for the debentures.
- c. On April 15, 2024, Ashdar was informed that it won, together with a third party, in equal parts, the ILA and the Tel-Aviv Municipality tender for leasing real estate in a complex known as the "Maccabi Jaffa" complex B in Tel-Aviv. The plots in the tender are designated for saturated construction of 412 residential units for sale on the free market and retail space with a main area of some 1,400 sq.m. in consideration of approximately NIS 378,476 thousand plus VAT and development costs of approximately NIS 7,530 thousand (including VAT). As of June 30, 2024, Ashdar and its partner had paid approximately NIS 52,800 thousand and, after the reporting date, the transaction was finalized and the full consideration was paid.

To finance the transaction, Ashdar and its partner signed a financing agreement with a bank, which included providing approximately NIS 305 million for the purchase of real estate rights and NIS 57 million for the VAT amount.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 5:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)**

Shortly before the date of signing the agreement, the buyer deposited NIS 34,800 thousand with a trustee. On June 30, 2024, the full consideration was received and, simultaneously, the loan for the land totaling approximately NIS 246,553 thousand was repaid and the title to the real estate was passed to the buyer. As of June 30, 2024, out of the consideration, trustees hold an amount of NIS 60,900 thousand which, after the reporting date, was transferred to Ashdar. This amount was included in the item other accounts receivable.

- f. In keeping with the matter discussed in Note 16e to the annual consolidated financial statements regarding an agreement with a group of lenders for financing a renewable energy project in the U.S., as of June 30, 2024, the carrying amount of the loan received under the agreement totals approximately \$ 234 million (approximately NIS 880 million) (December 31, 2023 – approximately \$ 145 million (approximately NIS 520 million)).
- g. After the reporting date, 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' entitlement to exercise the options will vest in four equal annual portions from the end of the first anniversary of the grant date for 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 will recognize 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%.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- h. After the reporting date, on July 2, 2024, Ashdar was served with a claim amounting to approximately NIS 56 million which was filed by contractors with whom Ashdar had contracted for a project in the Neve Monson neighborhood in Yehud Monoson where Ashdar was the developer responsible for the construction of five residential buildings. The primary grounds of the claim consist of arguments concerning Ashdar's alleged liability for outstanding payments to contractors for contractual work, including additional tasks allegedly performed by the contractors on the project and additional expenses incurred by the contractors as a result of project delays for which they claim Ashdar is responsible. At present, Ashdar is studying the statement of claim, however, based on a preliminary review of the statement of claim and according to the information available to it, Ashdar believes that the plaintiffs' arguments lack merit and are likely to be dismissed. Notwithstanding the above, Ashdar plans to file a counterclaim against the contractors for substantial damages resulting from their failures during project execution, among others, for the significant delays in project completion. Due to the preliminary stage of the proceeding, according to Ashdar's legal counsel, it is not possible to determine the likelihood of the claim being accepted and, accordingly, no provision has been made in the financial statements in respect thereof.
- i. After the reporting date, on August 1, 2024, Ashdar is no longer considered a reporting entity and has no securities held by the public.
- j. In keeping with the matter discussed in Note 16e to the annual consolidated financial statements regarding the establishment of Tierra Bonita renewable energy project in the U.S., after the reporting date, the project began generating revenues and during August 2024 its construction was completed. However, as of the date of approval of the financial statements, the regulatory procedures related to the project have not yet been finalized.

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

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

	June 30, 2024 Unaudited	June 30, 2023 Unaudited	December 31, 2023 Audited
Current assets	28,657	21,963	17,894
Non-current assets	1,534,619	1,467,759	1,505,672
Current liabilities	29,971	20,554	30,198
Non-current liabilities	596,608	581,934	586,665
Equity attributable to equity holders of the Company	936,697	887,234	906,703
Share of equity in the associate	50%	50%	50%
Excess cost	7,002	7,002	7,002
Carrying amount of investment in associate	475,351	450,619	460,354

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- ATTACHING CONDENSED FINANCIAL INFORMATION OF ASSOCIATE ACCOUNTED FOR AT EQUITY (Cont.)

	Six months ended June 30, 2024 Unaudited	Six months ended June 30, 2023 Unaudited	Three months ended June 30, 2024 Unaudited	Three months ended June 30, 2023 Unaudited	Year ended December 31, 2023 Audited
Revenues	42,087	40,540	21,186	20,473	79,489
Gross profit	37,107	35,399	18,717	18,142	69,462
Appreciation of investment property	14,130	44,120	11,950	41,257	45,162
Net income	29,994	50,900	17,860	40,050	70,369
Share of results in the associate	50%	50%	50%	50%	50%
Adjustments for excess cost	-	-	-	-	-
Company's share of earnings of associate	14,997	25,450	8,930	20,025	35,185

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