

**ASHTROM GROUP LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2023**

**UNAUDITED**

**ASHTROM GROUP LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2023**

**UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Review of Interim Consolidated Financial Statements</b>	<b>2</b>
<b>Consolidated Statements of Financial Position</b>	<b>3 - 4</b>
<b>Consolidated Statements of Profit or Loss</b>	<b>5</b>
<b>Consolidated Statements of Comprehensive Income</b>	<b>6</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>7 – 11</b>
<b>Consolidated Statements of Cash Flows</b>	<b>12 – 14</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>15 - 31</b>

-----

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

### **Introduction**

We have reviewed the accompanying financial information of Ashtrom Group Ltd. and subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of September 30, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of nine and three months then ended. The board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of interim financial information for these periods 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 September 30, 2023, and whose revenues constitute approximately 8% and 7% of total consolidated revenues for the periods of nine and three months 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 73 million as of September 30, 2023 and the Group's share of their earnings amounted to approximately NIS 5 million and NIS 3 million for the periods of nine and three months then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of other auditors.

### **Scope of review**

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

### **Conclusion**

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

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

Tel-Aviv, Israel  
November 28, 2023

*Kost Forer Gabbay and Kasierer*  
**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

NIS in thousands

	<b>September 30, 2023</b>	<b>September 30, 2022</b>	<b>December 31, 2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	1,023,212	1,047,747	921,891
Short-term investments	761,178	790,826	939,410
Trade and unbilled receivables	1,433,660	1,286,463	1,503,448
Other accounts receivable	285,380	164,698	150,541
Inventories of buildings and retail space for sale	1,403,553	1,617,438	1,536,382
Inventories	164,673	120,391	125,914
Total current assets	<u>5,071,656</u>	<u>5,027,563</u>	<u>5,177,586</u>
<b>NON-CURRENT ASSETS:</b>			
Lands for construction	1,948,718	1,225,649	1,232,822
Investment property under construction	1,682,131	1,901,735	1,898,583
Receivables from concession arrangements	247,434	253,019	251,348
Payments on account of purchase of investment property	476,597	-	*)90,256
Investment property	7,193,622	5,367,916	6,048,063
Associates	1,735,691	1,561,076	1,641,009
Other receivables and investments	1,122,839	328,121	*)447,569
Property, plant and equipment, net	1,426,448	1,156,049	1,323,251
Intangible assets and goodwill	101,225	43,464	43,016
Deferred taxes	60,647	86,513	80,069
Total non-current assets	<u>15,995,352</u>	<u>11,923,542</u>	<u>13,055,986</u>
Total assets	<u><u>21,067,008</u></u>	<u><u>16,951,105</u></u>	<u><u>18,233,572</u></u>

\*) Reclassified.

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

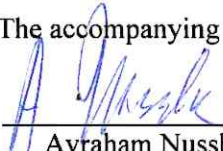
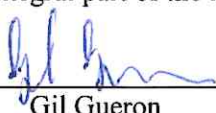
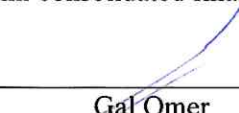
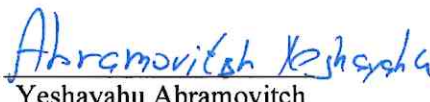
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NIS in thousands

	September 30, 2023	September 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks	908,362	664,031	1,085,473
Loans from institutional entities	550,000	182,674	172,512
Current maturities of non-current liabilities	1,928,044	*)1,304,193	1,199,801
Subcontractors and trade payables	1,148,029	1,052,409	1,150,773
Liability for combination transactions	100,080	161,274	146,411
Advances from customers and buyers of apartments and real estate	192,106	503,415	374,262
Other accounts payable	391,141	*)283,399	355,693
<b>Total current liabilities</b>	<b>5,217,762</b>	<b>4,151,395</b>	<b>4,484,925</b>
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	2,889,734	2,158,778	2,039,216
Loans from institutional entities	1,983,118	*)1,461,068	1,497,148
Debentures	4,927,086	4,125,819	4,501,167
Lease liabilities	211,676	105,094	107,903
Other liabilities	128,523	*)34,470	11,941
Employee benefit liabilities	19,869	22,131	20,769
Deferred taxes	470,946	438,190	520,929
<b>Total non-current liabilities</b>	<b>10,630,952</b>	<b>8,345,550</b>	<b>8,699,073</b>
<b>Total liabilities</b>	<b>15,848,714</b>	<b>12,496,945</b>	<b>13,183,998</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital	57,156	57,156	57,156
Share premium	1,339,410	1,339,288	1,339,288
Retained earnings	3,515,253	3,153,311	3,530,034
Reserves	98,754	(276,352)	(71,194)
<b>Total</b>	<b>5,010,573</b>	<b>4,273,403</b>	<b>4,855,284</b>
Non-controlling interests	207,721	180,757	194,290
<b>Total equity</b>	<b>5,218,294</b>	<b>4,454,160</b>	<b>5,049,574</b>
<b>Total liabilities and equity</b>	<b>21,067,008</b>	<b>16,951,105</b>	<b>18,233,572</b>

\*) Reclassified.

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	 Yeschayahu Abramovitch Chief Accounting Officer
--	---	---	---

Date of approval of the financial statements: November 28, 2023

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

NIS in thousands, except per share data

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended September 30, 2023	Three months ended September 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenues	3,803,051	3,846,577	1,288,040	1,374,758	5,152,913
Cost of revenues	3,018,179	3,014,106	1,031,527	1,094,231	4,049,999
Gross profit	784,872	832,471	256,513	280,527	1,102,914
Gain from change in designation from inventories to investment property	57,776	8,035	-	-	105,683
Appreciation (impairment) of investment property, net	(35,176)	368,961	3,328	76,134	565,467
	807,472	1,209,467	259,841	356,661	1,774,064
Selling and marketing expenses	76,226	65,887	27,283	22,390	88,410
General and administrative expenses	291,168	260,696	101,720	88,097	352,144
Group's share of earnings of associates, net	41,637	108,075	3,672	9,590	125,643
Other income (expenses), net	14,569	(12,804)	12,504	(1,568)	11,213
Operating income	496,284	978,155	147,014	254,196	1,470,366
Finance expenses	(407,435)	(346,141)	(138,141)	(112,217)	(445,565)
Finance income	127,882	52,781	19,965	19,372	96,253
Income before taxes on income	216,731	684,795	28,838	161,351	1,121,054
Taxes on income	26,610	102,095	5,755	31,372	157,091
Net income	190,121	582,700	23,083	129,979	963,963
Net income attributable to:					
Equity holders of the Company	185,219	552,795	22,152	119,024	930,846
Non-controlling interests	4,902	29,905	931	10,955	33,117
	190,121	582,700	23,083	129,979	963,963
Net earnings per share attributable to equity holders of the Company (in NIS):					
Basic and diluted net earnings	1.83	5.46	0.22	1.18	9.20

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

NIS in thousands

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended September 30, 2023	Three months ended September 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Net income	190,121	582,700	23,083	129,979	963,963
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:					
Adjustments arising from translating financial statements of foreign operations	173,206	14,989	34,884	(75,509)	117,054
Group's share of net other comprehensive income of associates from adjustments arising from translating financial statements of foreign operations	6,290	(1,904)	879	(6,015)	3,680
	179,496	13,085	35,763	(81,524)	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)	10,136	1,943	2,013	530	104,772
Remeasurement loss from defined benefit plans, net	-	-	-	-	(1,328)
	10,136	1,943	2,013	530	103,444
Total other comprehensive income	189,632	15,028	37,776	(80,994)	224,178
Total comprehensive income	379,753	597,728	60,859	48,985	1,188,141
Total comprehensive income attributable to:					
Equity holders of the Company	362,459	569,203	58,485	43,900	1,145,180
Non-controlling interests	17,294	28,525	2,374	5,085	42,961
Total	379,753	597,728	60,859	48,985	1,188,141

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

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

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



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2022 (audited)	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	-	-	-	552,795	-	-	-	-	552,795	29,905	582,700
Other comprehensive income (loss)	-	-	-	-	-	1,943	14,465	-	16,408	(1,380)	15,028
Total comprehensive income	-	-	-	552,795	-	1,943	14,465	-	569,203	28,525	597,728
Cost of share-based payment	-	-	-	-	4,055	-	-	-	4,055	74	4,129
Exercise of share options	2	554	-	-	(554)	-	-	-	2	-	2
Dividend to equity holders of the Company	-	-	-	(320,000)	-	-	-	-	(320,000)	-	(320,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(3,238)	(3,238)
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	(2,811)	(2,811)	(3,266)	(6,077)
Balance at September 30, 2022	57,156	1,339,288	25,013	3,153,311	8,305	252,806	(514,387)	(48,089)	4,273,403	180,757	4,454,160

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

NIS in thousands, unaudited

	Share capital	Share premium	Reserve for transactions with controlling shareholders	Retained earnings	Reserve for share-based payment	Revaluation reserve	Foreign currency translation adjustments	Reserve for transactions with non-controlling interests	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance at July 1, 2022	57,156	1,339,288	25,013	3,154,287	6,184	252,276	(438,733)	(45,278)	4,350,193	183,489	4,533,682
Net income	-	-	-	119,024	-	-	-	-	119,024	10,955	129,979
Other comprehensive income (loss)	-	-	-	-	-	530	(75,654)	-	(75,124)	(5,870)	(80,994)
Total comprehensive income (loss)	-	-	-	119,024	-	530	(75,654)	-	43,900	5,085	48,985
Cost of share-based payment	-	-	-	-	2,121	-	-	-	2,121	-	2,121
Dividend to equity holders of the Company	-	-	-	(120,000)	-	-	-	-	(120,000)	-	(120,000)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(2,793)	(2,793)
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	(2,811)	(2,811)	(5,024)	(7,835)
Balance at September 30, 2022	57,156	1,339,288	25,013	3,153,311	8,305	252,806	(514,387)	(48,089)	4,273,403	180,757	4,454,160

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 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
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	-	-	-	-	6,178	-	-	-	6,178	74	6,252
Exercise of share options	2	554	-	-	(554)	-	-	-	2	-	2
Dividend to equity holders of the Company	-	-	-	(320,000)	-	-	-	-	(320,000)	-	(320,000)
Dividend to holders of 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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

NIS in thousands

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended September 30, 2023	Three months ended September 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<u>Cash flows from operating activities:</u>					
Net income	190,121	582,700	23,083	129,979	963,963
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	(41,637)	(108,075)	(3,672)	(9,590)	(125,643)
Impairment (appreciation) of investment property and investment property under construction	35,176	(368,961)	(3,328)	(76,134)	(565,467)
Interest costs, net	146,846	113,015	40,511	36,935	121,002
Loss (gain) from marketable securities	(26,169)	45,807	(6,424)	8,456	54,121
Depreciation and amortization of property, plant and equipment and intangible assets	63,034	62,555	22,729	19,780	83,922
Gain from change in designation from inventories to investment property	(57,776)	(8,035)	-	-	(105,683)
Deferred taxes, net	(58,970)	54,772	(26,796)	18,102	95,794
Appreciation of lands for construction	-	4,691	-	-	(26,936)
Revaluation of long-term loans	60,154	78,499	14,781	20,194	88,671
Revaluation of debentures	127,996	97,522	36,881	37,598	121,517
Loss from sale and appreciation of investments	12	76	4	4	89
Change in employee benefit liabilities, net	(900)	989	131	276	(2,040)
Cost of share-based payment	6,941	4,129	3,458	2,121	6,252
Gain from sale of property, plant and equipment	(720)	(688)	(143)	(291)	(846)
Gain from remeasurement of investment in associate	(12,792)	-	(12,792)	-	-
Revaluation of long-term receivables and other investments	(20,665)	(7,933)	15,001	1,559	(26,969)
Gain from receivables from concession arrangements	(8,464)	(11,489)	(2,019)	(3,278)	(13,722)
	<u>212,066</u>	<u>(43,126)</u>	<u>78,322</u>	<u>55,732</u>	<u>(295,938)</u>
<u>Changes in asset and liability items:</u>					
Decrease (increase) in trade and unbilled receivables and other accounts receivable	98,638	(232,793)	78,961	(215,065)	(429,842)
Decrease in inventories of buildings and retail space for sale less advances from customers and from buyers of apartments and inventories	789	228,050	58,932	839	152,368
Increase in trade payables and other accounts payable	116,328	76,032	125,046	41,497	277,488
	<u>215,755</u>	<u>71,289</u>	<u>262,939</u>	<u>(172,729)</u>	<u>14</u>
<u>Cash paid and received during the period for:</u>					
Dividend received	1,450	74,546	-	30,399	74,546
Taxes paid, net	(44,495)	(90,677)	(15,222)	(22,042)	(100,563)
	<u>(43,045)</u>	<u>(16,131)</u>	<u>(15,222)</u>	<u>8,357</u>	<u>(26,017)</u>
Net cash provided by operating activities before purchase of lands for construction	574,897	594,732	349,122	21,339	642,022
Purchase of lands for construction	(807,649)	(449,823)	(26,228)	(276,865)	(503,835)
Receipt of refund of value added tax on purchase of lands for construction	-	-	7,261	-	-
Net cash provided by (used in) operating activities	<u>(232,752)</u>	<u>144,909</u>	<u>330,155</u>	<u>(255,526)</u>	<u>138,187</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

NIS in thousands

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended September 30, 2023	Three months ended September 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<u>Cash flows from investing activities:</u>					
Investment in investment property	(137,669)	(107,411)	(50,386)	(28,079)	(188,453)
Investment in investment property under construction	(398,137)	(430,431)	(4,935)	(28,470)	(463,873)
Payments on account of investment property	(386,341)	-	(2)	-	(90,256)
Sale (purchase) of short-term investments, net	204,401	(83,574)	108,419	(50,627)	(240,472)
Purchase of property, plant and equipment	(65,444)	(130,905)	(23,704)	(40,538)	(170,640)
Interest received	10,664	6,185	2,768	470	20,805
Grant of long-term loans to associates, net	(63,555)	(57,616)	(37,975)	17,619	(79,551)
Collection of receivables from concession arrangements	11,312	10,279	3,860	3,523	13,878
Investment in newly consolidated associate	(4,184)	-	(4,184)	-	(4,390)
Investment in associates and other investments	(190)	(2,243)	(190)	-	(39,026)
Proceeds from sale of property, plant and equipment and investment property	56,589	217,390	9,023	200,904	228,003
Grant of long-term loans and other investments	(687,794)	(43,684)	(546,903)	(4,289)	(136,607)
Collection of long-term loans and deposits	24,107	15,400	396	7,075	22,219
Net cash provided by (used in) investing activities	(1,436,241)	(606,610)	(543,813)	77,588	(1,128,363)
<u>Cash flows from financing activities:</u>					
Issue of debentures (net of issue expenses)	1,173,598	572,147	345,594	71,993	1,016,762
Repayment of debentures	(611,604)	(549,149)	(231,370)	(161,253)	(683,048)
Receipt of long-term loans from banks and others	1,711,061	839,429	360,763	230,470	909,903
Repayment of long-term loans from banks and others	(284,111)	(197,022)	(44,254)	(123,277)	(220,455)
Short-term credit from banks and others, net	324,090	(103,662)	39,058	(10,631)	6,855
Repayment of lease liabilities	(20,812)	(26,219)	(8,186)	(7,849)	(34,410)
Interest paid	(310,917)	(194,391)	(95,747)	(68,610)	(248,388)
Proceeds from exercise of options	-	2	-	-	2
Dividend to equity holders of the Company	(200,000)	(320,000)	-	(120,000)	(320,000)
Dividend to holders of non-controlling interests	(1,112)	(3,238)	(1,112)	(2,793)	(6,061)
Transactions with non-controlling interests	(16,862)	-	-	-	-
Net cash provided by (used in) financing activities	1,763,331	17,897	364,746	(191,950)	421,160
Translation differences of balances of cash and cash equivalents	6,983	9,966	1,221	1,041	9,322
Increase (decrease) in cash and cash equivalents	101,321	(433,838)	152,309	(368,847)	(559,694)
Cash and cash equivalents at the beginning of the period	921,891	1,481,585	870,903	1,416,594	1,481,585
Cash and cash equivalents at the end of the period	1,023,212	1,047,747	1,023,212	1,047,747	921,891

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

NIS in thousands

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>	<b>Three months ended September 30, 2023</b>	<b>Three months ended September 30, 2022</b>	<b>Year ended December 31, 2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<u>Significant non-cash transactions:</u>					
Right-of-use asset recognized against lease liability	114,765	36,922	3,811	4,817	46,073

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 September 30, 2023 and for the periods of nine and three months 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, 2022 and for the year then ended and accompanying notes ("annual consolidated financial statements").
- b. As of September 30, 2023, the Company has a working capital deficit of approximately NIS 146 million which mainly arises from current maturities of non-current liabilities. The Company's Board estimates that the working capital deficit is not indicative of any cash shortage and believes that the Company will be able to repay its financial liabilities when due. This assumption is based, among others, on the Company's cash flow forecasts for the period of two years following the date of these interim consolidated financial statements, the Company's ability to generate cash from operating activities, the Company's financing resources and its ability to utilize and refinance its credit facilities. It should be noted that after the date of these interim consolidated financial statements, Ashdar received an extension on a bank loan which is included in current maturities in the amount of NIS 193 million until January 2025.
- c. The effects of the Swords of Iron War:

On October 7, 2023, the Swords of Iron war broke out in Israel ("the war"). The ongoing war has led to a slowdown in business activity throughout the Israeli economy, as a result, among others, of the shutdown of enterprises in the south and north of Israel, the damage to local infrastructures, the nationwide military reserve draft for an indefinite period and the disruption of economic activity in the entire country. The prolongation of the war is likely to have extensive nationwide effects on numerous business and geographic segments and consequently affect the activities of Israeli companies including the Group. Moreover, the war is likely to cause delays in the supply of the raw materials needed by the Group to develop and complete the construction of projects and is liable to increase construction costs and lead to shortage of workers at construction sites which in turn will lead to delays in project population and delivery. In addition, a potential recession is likely to adversely affect the Group's rental income both from income-producing properties and from real estate development in view of the potential decline in demands for rental properties and for apartments and the tenants' and buyers' inability to meet their financial obligations, thereby impairing the Group's cash inflows.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 1:- GENERAL (Cont.)**

As for the Company's operations in the real estate construction segment, in the first two weeks of the war, in keeping with the decree of numerous local authorities including of cities in which the Company operates, the entire municipal construction sites were shut down. Even after the shutdown of construction sites had been lifted several days later, different restrictions were imposed on the local real estate construction industry. Concurrently, the war led to a severe shortage of workers in general and particularly Palestinian workers in view of the lockdown on the Judea and Samaria area. As for the Company's operations in the rental property industry, the occupancy rates of the Company's rental properties and the collection of rent both remained stable (barring any immaterial changes). Notwithstanding the aforesaid, the uncertainty plaguing the rental property market even before the war began only intensified after the war although routine operations were partly and gradually resumed about two weeks into the war and will continue to return to normal operation after the educational system is restored. The Group's residential property development operation which had already sustained a slowdown experienced another slowdown which caused another decrease in the number of sold apartments.

In view of the aforementioned, the Company estimates that the security situation in Israel is likely to adversely affect its ability to meet deadlines and lead to building input markups. To date, the State's proposed compensation program does not offer a sufficient response for the Company since it mainly targets smaller performing companies and only offers very limited financial aid. Depending on the prolongation and intensification of the war and the Israeli Government's failure to offer better financial support solutions for the companies in the property construction industry, this could have an effect on the Company's business results in Q4 2023 and in the following quarters.

As of the date of approval of these interim consolidated financial statements, the Group is unable to assess the scope of any future effects of the war on its operations and business results, also due to the extreme volatility in the markets, the uncertainty regarding the duration and intensity of the war and its potential ramifications on the Company's operating segments and the uncertainty regarding any other steps adopted by the Israeli Government.

Notwithstanding the aforesaid, there is no risk to the Company's financial stability or to its ability to meet financial covenants and contracts nor is there any risk to its routine business operations given its free cash flow, order backlog and available financing resources. Nevertheless, the prolongation of the current conditions in the capital markets and the potential recession in Israel are likely to affect market liquidity and the Group's borrowing terms and opportunities. The Group is closely monitoring and evaluating the developments in the war and the exposure of and effects on the Group's operations and will take the necessary steps.

**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 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment applies prospectively to annual periods beginning on January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

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

2. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception ("the exception") under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. The Amendment narrows the scope of the exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the exception.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

The Amendment applies to annual periods beginning on January 1, 2023 in relation to leases and decommissioning obligations - the Amendment applies commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment is recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

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

3. Amendment to IAS 1, "Disclosure of Accounting Policies":

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment applies to annual periods beginning on January 1, 2023.

c. Disclosure of new IFRSs in the period before their adoption:

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

The Amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3:- FINANCIAL INSTRUMENTS**

*Fair value:*

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

	Carrying amount September 30, 2023	Carrying amount September 30, 2022	Carrying amount December 31, 2022	Fair value September 30, 2023	Fair value September 30, 2022	Fair value December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Financial assets:						
Receivables from concession arrangements (1)	263,429	267,644	266,278	258,097	281,674	276,633
Financial liabilities:						
Loans with fixed interest (1)	3,225,948	2,465,849	2,574,538	2,966,991	2,413,717	2,441,079
Debentures (2)	5,902,451	4,882,782	5,223,073	5,655,462	4,769,507	5,058,070
Total	9,128,399	7,348,631	7,797,611	8,622,453	7,183,224	7,499,149

- (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.

**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 the revenues and results of associates of the same activity as the segment in which they operate, in order to adjust the reported data to management approach.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

b. Reporting on operating segments:

Nine months ended September 30, 2023 (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	1,640,564	710,564	107,301	13,196	285,216	316	315,740	918,244	3,991,141	-	(188,090)	3,803,051
Intersegment revenues	479,731	159,234	-	-	-	2,803	-	-	641,768	(640,534)	(1,234)	-
Total revenues	2,120,295	869,798	107,301	13,196	285,216	3,119	315,740	918,244	4,632,909	(640,534)	(189,324)	3,803,051
Cost of revenues	1,917,787	743,030	59,155	10,932	213,539	2,819	83,215	723,168	3,753,645	(631,168)	(104,298)	3,018,179
Gross profit	202,508	126,768	48,146	2,264	71,677	300	232,525	195,076	879,264	(9,366)	(85,026)	784,872
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	-	55,804	55,804	1,972	-	57,776
Appreciation (impairment) of investment property	-	-	(28,254)	-	2,022	-	15,217	(76)	(11,091)	9,219	(33,304)	(35,176)
Selling and marketing expenses	2,826	57,945	1,255	-	2,683	96	502	12,631	77,938	-	(1,712)	76,226
General and administrative expenses	97,904	40,166	10,189	6,773	32,620	9,603	62,304	38,328	297,887	3,967	(10,686)	291,168
Operating income (loss)	101,778	28,657	8,448	(4,509)	38,396	(9,399)	184,936	199,845	548,152	(2,142)	(105,932)	440,078
Earnings of associates												41,637
Other income												14,569
Operating income												496,284
Finance expenses, net												279,553
Income before taxes on income												216,731

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Nine months ended September 30, 2022 (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	1,259,755	539,126	87,360	12,533	242,724	-	392,203	1,445,234	3,978,935	-	(132,358)	3,846,577
Intersegment revenues	691,674	150,346	-	-	-	2,064	4,437	-	848,521	(848,397)	(124)	-
Total revenues	1,951,429	689,472	87,360	12,533	242,724	2,064	396,640	1,445,234	4,827,456	(848,397)	(132,482)	3,846,577
Cost of revenues	1,759,257	585,726	48,376	10,070	186,323	1,897	182,080	1,132,188	3,905,917	(833,262)	(58,549)	3,014,106
Gross profit	192,172	103,746	38,984	2,463	56,401	167	214,560	313,046	921,539	(15,135)	(73,933)	832,471
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	8,035	-	8,035	-	-	8,035
Appreciation (impairment) of investment property	-	-	197,925	-	(719)	-	263,225	-	460,431	14,329	(105,799)	368,961
Selling and marketing expenses	2,650	47,232	1,356	-	2,835	-	1,081	11,577	66,731	-	(844)	65,887
General and administrative expenses	106,273	29,475	5,308	2,788	32,041	4,518	49,922	37,071	267,396	981	(7,681)	260,696
Operating income (loss)	83,249	27,039	230,245	(325)	20,806	(4,351)	434,817	264,398	1,055,878	(1,787)	(171,207)	882,884
Earnings of associates												108,075
Other expenses												12,804
Operating income												978,155
Finance expenses, net												293,360
Income before taxes on income												684,795

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

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

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

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Three months ended September 30, 2022 (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	469,944	188,427	48,301	4,218	75,438	-	101,467	532,275	1,420,070	-	(45,312)	1,374,758
Intersegment revenues	238,259	53,763	-	-	-	1,723	-	-	293,745	(293,649)	(96)	-
Total revenues	708,203	242,190	48,301	4,218	75,438	1,723	101,467	532,275	1,713,815	(293,649)	(45,408)	1,374,758
Cost of revenues	643,825	205,661	31,144	3,465	59,177	1,492	45,101	411,841	1,401,706	(286,707)	(20,768)	1,094,231
Gross profit	64,378	36,529	17,157	753	16,261	231	56,366	120,434	312,109	(6,942)	(24,640)	280,527
Appreciation (impairment) of investment property	-	-	39,608	-	(196)	-	36,393	-	75,805	3,825	(3,496)	76,134
Selling and marketing expenses	738	16,652	781	-	642	-	(377)	4,223	22,659	-	(269)	22,390
General and administrative expenses	37,451	10,518	1,615	895	7,647	1,681	17,230	13,268	90,305	316	(2,524)	88,097
Operating income (loss)	26,189	9,359	54,369	(142)	7,776	(1,450)	75,906	102,943	274,950	(3,433)	(25,343)	246,174
Earnings of associates												9,590
Other expenses												1,568
Operating income												254,196
Finance expenses, net												92,845
Income before taxes on income												161,351



NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

Year ended December 31, 2022 (NIS in thousands, audited):

	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	1,778,291	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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- a. On January 25, 2023, Ashtrom Properties' Board approved signing an agreement with a third party and a subsidiary of the controlling shareholder in the Company according to which Ashtrom Properties (through a wholly owned partnership) will lease a gross area of 3,200 sq. m. in Tel-Aviv for operating a complex of workspaces. The lease is for a period of 60 months with three extension options of 60 months each for variable lease fees over the lease and option periods. For each month of rent during the initial rental period of 24 months, Ashtrom Properties will pay NIS 420 thousand and then for months 25-60 NIS 440 thousand with a nominal increment of 5%, 6% and 7% for each option period, respectively. On January 31, 2023, the Company's Audit Committee approved the agreement. As a result of the agreement, Ashtrom Properties recognized a right-of-use asset (in investment property) against a lease liability in the amount of approximately NIS 64 million.
- b. On January 29, 2023, Ashtrom Properties allocated by series expansion NIS 100 million par value of debentures (series 13) in a private placement to classified investors for gross proceeds of approximately NIS 90.5 million (approximately NIS 90.3 million net of issue expenses).
- c. In keeping with the matter discussed in Note 15b(7) to the annual consolidated financial statements regarding the acquisition of 168 long-term rental residential units for approximately NIS 550 million and about 800 sq. m. of retail spaces for approximately NIS 43 million in Neve Ayalon neighborhood, Or Yehuda, in January 2023, the Company, through its owned partnership, paid another NIS 386 million. This amount was paid using a loan from an institutional entity based on an agreement signed on November 21, 2022. The loan bears fixed interest at the annual rate of the yield on government bonds with a similar term plus a margin of 2.4%. The remaining investment in the project was carried to payments on account of purchase of investment property in the interim consolidated statements of financial position.
- d. On March 21, 2023, the Company's Board approved the distribution of a dividend to the Company's shareholders in a total of NIS 200 million. The dividend per share was NIS 1.97576. The dividend was paid on April 13, 2023.
- e. In keeping with the matter discussed in Note 15b(4) to the annual consolidated financial statements regarding the Company's investment in a partnership that owns rights to a project to develop, build and operate a wind farm for generating electricity in Poland, on March 27, 2023, a business restructuring process was completed in which the partners' entire interests in the partnership were transferred to a new SPC by the name of Zephyrus Wing Energies Ltd. ("Zephyrus"). On the same date, in an IPO on the TASE, Zephyrus raised approximately NIS 145 million for issuing shares accounting for about 13.9% of its share capital post-IPO and share options. On March 30, 2023, Zephyrus' shares and options began trading on the TASE. The Company participated in the IPO and invested a total of approximately NIS 15.7 million for keeping its 10.84% interests in Zephyrus. From the IPO date, the value of the Company's investment in Zephyrus' shares and options is measured at their quoted market prices. The investment is classified as level 1 in the fair value hierarchy.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- f. In keeping with the matter discussed in Note 9d(1) to the annual consolidated financial statements regarding the Company and Ashdar winning a tender by the Israel Lands Authority ("the ILA") for the lease of a plot in Be'er Ya'akov designated for the construction of 242 residential units, in the reporting period, the Company and Ashdar collectively paid approximately NIS 175 million mainly using a long-term bank loan of approximately NIS 130 million.
- g. In keeping with the matter discussed in Note 9d(2) to the annual consolidated financial statements regarding Ashdar winning a tender for the lease of a plot in Galil Yam neighborhood, Herzliya, where 195 residential units are planned to be built, in the reporting period, Ashdar paid approximately NIS 325 million mainly using a long-term bank loan of approximately NIS 247 million.

On November 9, 2023, Ashdar applied to the ILA for announcing the cancelation of the agreement, returning the land to the ILA and recovering the entire amounts paid by Ashdar with interest as required by law due to erroneous data and presentations attached to the tender documents issued by the ILA.

- h. In keeping with the matter discussed in Note 9d(3) to the annual consolidated financial statements regarding Ashdar winning a tender for the lease of a plot in Givat Shmuel where 122 residential units are planned to be built, in the reporting period, Ashdar paid approximately NIS 160 million mainly using a long-term bank loan of approximately NIS 118 million.
- i. In keeping with the matter discussed in Note 10a(6) to the annual consolidated financial statements regarding the win of a wholly controlled limited partnership in a RenTen tender for the purchase of land in Tel-HaShomer to design, build and operate a residential project of 125 residential units for long-term rent of about 20 years in addition to some 1,368 sq. m. of rental retail spaces, in the reporting period, the Company paid a total of approximately NIS 172 million mainly using a long-term bank loan of approximately NIS 118 million.
- j. In keeping with the matter discussed in Note 10a(7) to the annual consolidated financial statements regarding the win of a wholly controlled limited partnership in a RenTen tender for the purchase of land in Be'er-Yaacov to design, build and operate a residential project of 256 residential units for long-term rent of about 20 years, in the reporting period, the Company paid a total of approximately NIS 184 million using a long-term bank loan of approximately NIS 126 million.
- k. In a public tender offering held on April 2, 2023, the Company issued NIS 299,641 thousand par value of debentures (series C) by series expansion for gross proceeds of approximately NIS 286.2 million (approximately NIS 283.7 million net of issue expenses). In another tender offer held on the same date, the Company issued NIS 202,359 thousand par value of debentures (series D) by series expansion for gross proceeds of approximately NIS 186.7 million (approximately NIS 184.7 million net of issue expenses).
- l. On May 7, 2023, Maalot published a rating report that affirmed the ilA/Stable rating for the Company and the ilA rating for the debentures.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- m. In a public tender offering held on June 20, 2023, the Company issued NIS 143,574 thousand par value of debentures (series 9) by series expansion for gross proceeds of approximately NIS 143 million (approximately NIS 142 million net of issue expenses). In another tender offer held on the same date, the Company issued NIS 113,431 thousand par value of debentures (series 10) by series expansion for gross proceeds of approximately NIS 128 million (approximately NIS 127 million net of issue expenses).
- n. 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 subsidiaries of the Company. The entitlement of three officers to exercise 791,685 options will vest in four 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 Merton model based on the conditions and inputs under 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%.

On the same date, the Company's Board approved the amendment of the exercise price of some of the options allocated to an officer in a subsidiary of the Company on April 4, 2022 (see Note 29d(1) to the annual consolidated financial statements). According to the decision, the exercise price of three portions whose entitlement has not yet vested will also have their exercise price set at NIS 59.76 instead of the original exercise price of NIS 98.69. Income Tax Authority approval is required for the above amendment of the exercise price.

- o. In keeping with the matter discussed in Note 7e to the annual consolidated financial statements regarding Ashdar's Board decision to designate 87 residential units in "Agamim" project in Netanya as long-term rental apartments, in the second quarter of 2023, Ashdar has received all necessary regulatory approvals required for the remaining 33 designated residential units that have begun the marketing process, the construction phase has ended and Form 4 has been obtained (along with 54 residential units in 2022). Accordingly, these residential units were classified as investment property and the Company recognized a gain of approximately NIS 57.8 million (including contractual income) which was recorded in the statement of profit or loss in gain from change in designation from inventories to investment property.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- p. On June 8, 2023, Ashtrom Industries Ltd. (a wholly owned subsidiary of the Company) signed an agreement according to which Ashstrom Industries will acquire from Har Tov, a limited partnership, shares of Zalfon Quarries Ltd. ("Har Tov" and "Zalfon", respectively) for NIS 105 million in an all-inclusive transaction. In addition, Ashstrom Industries will be allocated additional shares in Zalfon for its investment of NIS 40 million in Zalfon and for the transfer of shares in the quarry's operating company to Zalfon. After the completion of the all-inclusive transaction, Ashstrom Industries will hold 50% of the issued and outstanding share capital of Zalfon. In addition, as part of the agreement, consideration was determined which is contingent on the enhancement of land held by Zalfon. The agreement was subject to the fulfillment of several suspending conditions, including the approval of the transaction by the anti-trust commissioner which was received on August 21, 2023. After the financial statement date, on October 8, 2023, the transaction was closed after the entire suspending conditions had been met. The price paid on that date as per an amendment to the agreement consisted of an amount of NIS 125 million paid to Har Tov for the purchase of Zalfon shares and an amount of NIS 20 million paid to Zalfon for the allocation of the shares. In addition, NIS 10 million were paid to Har Tov as an advance on account of the land betterment cost. The investment was mainly financed by receiving a long-term bank loan of NIS 150 million.
- q. On July 6, 2023, the Company's Board approved the issuance of commercial paper (series 2) worth NIS 200 million and commercial paper (series 3) worth NIS 150 million which are not listed for trade on the TASE ("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. The CPs include standard causes of immediate repayment, sometimes along with different recovery periods for different causes, such as insolvency, liquidation and imposition of material foreclosures and placing other material debts for immediate payment. On September 28, 2023, the CPs were repaid in full in the amount of NIS 150 million.
- r. In keeping with the matter discussed in Note 14e(4) to the annual consolidated financial statements regarding agreement to purchase the share capital of STUDS P.O.W.E.R Ltd. ("STUDS"), 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 the purchase, Ashtrom Industries holds 60.01% of the share capital of STUDS and from the purchase date consolidates STUDS' financial statements. As stated in the original agreement, both parties have mutual call/put options for the purchase/sale of the remaining shares based on the predetermined P/E ratios.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

For the purpose of performing the PPA of the STUDS shares purchased, the Company hired an external valuation expert to measure the value of the net identifiable assets of STUDS as of the acquisition date. Based on the valuation, the Company recognized a gain of approximately NIS 12.8 million from the initial consolidation of STUDS which was carried to other income in profit or loss. The difference between the value of the purchased shares and their carrying amount which totaled 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. Since the measurement period has not yet ended, there may be changes in the PPA in future reporting periods.

- s. In keeping with the matter discussed in Note 10 to the annual consolidated financial statements regarding the construction of the HaMishtalah project consisting of rental housing and retail spaces, at the beginning of the third quarter of 2023, the project's construction was completed, and its rent began. As a result, the project was reclassified from investment property under construction to investment property whose carrying amount as of September 30, 2023 approximates NIS 598 million.
- t. In the context of a public tender held on September 10, 2023, the Company allocated NIS 350 million par value of debentures (series E) for gross proceeds of NIS 350 million (approximately NIS 345.6 million after issue expenses).

The debentures (series E) are repayable in eight unequal instalments, five of which will be paid on December 31 of 2025 through 2029 each at a rate of 5% of the principal and three of which will be paid on December 31 of 2030 through 2032 each at a rate of 25% of the principal.

The unsettled balance of the principal of the debentures (series E) will bear fixed annual interest of 4.08% which will be paid semiannually on December 31 of 2023 through 2032 and on June 30 of 2024 through 2032. The principal and interest of the debentures (series E) are linked to the Israeli CPI issued on August 15, 2023 for July 2023.

The financial covenants underlying the deed of trust of the debentures (series E) are similar to the financial covenants underlying the debentures (series D) as described in Note 24e(5) to the annual consolidated financial statements, except as follows: the Company's consolidated equity (including non-controlling interests) will not be lower 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 lower 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 lower than NIS 3.0 billion was updated whereby noncompliance with this covenant will lead to incremental interest.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

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

- u. In keeping with the matter discussed in Note 15b(5) to the annual consolidated financial statements regarding the Company's investments in the Tierra Bonita project in the U.S. through Greasewood II LLC ("Greasewood"), on September 28, 2023, Greasewood signed project financing agreements with a group of lenders for receiving a total of approximately \$ 270 million. In addition, the Company signed an agreement for the sale of its tax credits in respect of the project's energy production in an aggregate of approximately \$ 300 million over a period of ten years. As per the financing agreements, the lenders will provide Greasewood a nonrecourse credit and guarantee facility for the duration of the construction period (which is expected to be completed towards the end of 2024) which will be converted near the project's commercial operation into a loan of up to five years. The lenders will also grant Greasewood a performance guarantee facility in favor of the project. As of the financial closing date, the overall interest that is expected to be paid on the loan will range between 6% and 7% a year. To secure Greasewood's representations and warranties in connection with the sale of the tax credits, the Company provided a parent's guarantee of approximately \$ 170 million. As estimated by the Company, the overall investment in the project will reach some \$ 435 million. The remaining investment in the project as of September 30, 2023 approximates NIS 782 million (including a development fee agreed with the developer as described in the annual consolidated financial statements) and is included in other debts and investments.

As of September 30, 2023, the balance of the loan received under the above financing agreement approximates \$ 36 million (approximately NIS 137 million). After the financial statement date, another amount of NIS 45 million was received. Also, in the third quarter of 2023, additional bank financing was received for the project in a total of \$ 25 million (approximately NIS 95 million).

- v. The changes in loan interest rates and the market's benchmark interest rate all affect the Company's liabilities. The Group has NIS liabilities bearing variable interest in an aggregate of NIS 3.8 billion and any change in the Bank of Israel benchmark interest rate affects its interest payments. It also affects the interest on the capital and debt raised by the Company in the bank and off-bank markets. In the period of nine months ended September 30, 2023, the BOI benchmark interest rate rose by 1.5% (from 3.25% as of December 31, 2022 to 4.75% as of September 30, 2023).

The Group has debentures and loans from banks and financial institutions that are linked to the Israeli CPI and therefore the increase in the CPI resulted in linkage difference expenses totaling approximately NIS 168 million in the period of nine months ended September 30, 2023 (approximately NIS 153 million in the corresponding period of 2022). In contrast, the Company's construction performance contracts and leases of income-yielding properties are linked to the CPI. It should be noted that from an economic perspective, the Company considers these contracts and leases as hedges that somewhat offset the effect of the CPI on the liabilities.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 6:- ATTACHING CONDENSED FINANCIAL INFORMATION OF ASSOCIATE ACCOUNTED FOR AT EQUITY**

Following is condensed financial information from the statement of financial position and statement of profit or loss of an associate – Hutzot Hamifratz Ltd. – in NIS in thousands:

	<b>September 30, 2023</b>	<b>September 30, 2022</b>	<b>December 31, 2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
Current assets	22,725	29,393	34,535
Non-current assets	1,483,713	1,361,990	1,386,067
Current liabilities	24,536	16,715	19,798
Non-current liabilities	584,865	557,409	564,470
Equity attributable to equity holders of the Company	897,037	817,259	836,334
Holding rate in associate	50%	50%	50%
Excess cost	7,002	7,002	7,002
Balance of investment in associate	455,521	415,632	425,169

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>	<b>Three months ended September 30, 2023</b>	<b>Three months ended September 30, 2022</b>	<b>Year ended December 31, 2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
Revenues	59,750	54,849	20,587	18,899	73,925
Gross profit	52,221	48,280	18,199	17,107	64,533
Appreciation (impairment) of investment property	43,898	166,088	(222)	9,155	181,071
Net income	60,703	154,668	9,803	15,033	173,743
Holding rate in associate	50%	50%	50%	50%	50%
Adjustments for excess cost	-	-	-	-	-
Company's share of associate's earnings	30,352	77,334	4,902	7,517	86,872

-----