

ASHTROM GROUP LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

UNAUDITED

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INDEX

	<u>Page</u>
Review of Interim Consolidated Financial Statements	2
Consolidated Statements of Financial Position	3 - 4
Consolidated Statements of Profit or Loss	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7 – 11
Consolidated Statements of Cash Flows	12 – 14
Notes to Interim Consolidated Financial Statements	15 - 27

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, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six 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 16% of total consolidated assets as of June 30, 2023, and whose revenues constitute approximately 9% and 3% of total consolidated revenues for the periods of six 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 June 30, 2023 and the Group's share of their earnings amounted to approximately NIS 2 million and NIS 1.6 million for the periods of six 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
August 24, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NIS in thousands

	June 30, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	870,903	1,416,594	921,891
Short-term investments	863,173	748,655	939,410
Trade and unbilled receivables	1,488,110	1,078,869	1,503,448
Other accounts receivable	157,568	175,522	150,541
Inventories of buildings and retail space for sale	1,326,691	1,599,248	1,536,382
Inventories	130,337	114,922	125,914
Total	4,836,782	5,133,810	5,177,586
Assets held for sale	8,928	206,107	-
Total current assets	4,845,710	5,339,917	5,177,586
NON-CURRENT ASSETS:			
Lands for construction	2,030,313	1,162,209	1,232,822
Investment property under construction	2,236,705	1,809,018	1,898,583
Receivables from concession arrangements	249,592	253,616	251,348
Payments on account of purchase of investment property	476,595	-	*) 90,256
Investment property	6,536,289	5,444,598	6,048,063
Associates	1,728,285	1,596,752	1,641,009
Other receivables and investments	706,319	312,443	*) 447,569
Property, plant and equipment, net	1,391,544	1,133,287	1,323,251
Intangible assets and goodwill	42,128	43,912	43,016
Deferred taxes	68,455	87,398	80,069
Total non-current assets	15,466,225	11,843,233	13,055,986
Total assets	20,311,935	17,183,150	18,233,572

*) Reclassified.

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




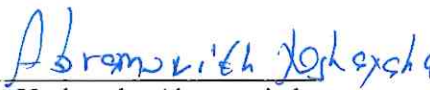
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NIS in thousands

	June 30, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	981,911	668,429	1,085,473
Loans from institutional entities	374,393	188,907	172,512
Current maturities of non-current liabilities	1,595,056	*) 1,114,915	1,199,801
Subcontractors and trade payables	1,190,946	1,015,414	1,150,773
Liability for combination transactions	85,277	220,435	146,411
Advances from customers and buyers of apartments and real estate	206,707	619,580	374,262
Other accounts payable	355,635	*) 328,862	355,693
Total current liabilities	4,789,925	4,156,542	4,484,925
NON-CURRENT LIABILITIES:			
Loans from banks	2,740,783	2,245,611	2,039,216
Loans from institutional entities	1,960,746	*) 1,427,139	1,497,148
Debentures	4,927,669	4,225,500	4,501,167
Lease liabilities	202,565	105,996	107,903
Other liabilities	16,376	*) 34,075	11,941
Employee benefit liabilities	19,738	21,855	20,769
Deferred taxes	499,044	432,750	520,929
Total non-current liabilities	10,366,921	8,492,926	8,699,073
Total liabilities	15,156,846	12,649,468	13,183,998
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	57,156	57,156	57,156
Share premium	1,339,348	1,339,288	1,339,288
Retained earnings	3,493,101	3,154,287	3,530,034
Reserves	59,025	(200,538)	(71,194)
Total	4,948,630	4,350,193	4,855,284
Non-controlling interests	206,459	183,489	194,290
Total equity	5,155,089	4,533,682	5,049,574
Total liabilities and equity	20,311,935	17,183,150	18,233,572

*) Reclassified.

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

			
Avraham Nussbaum	Gil Gueron	Gal Omer	Yeshayahu Abramovitch
Chairman of the Board	Managing Director and Member of the Board	Chief Financial Officer	Chief Accounting Officer

Date of approval of the financial statements: August 24, 2023

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

NIS in thousands, except per share data

	Six months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenues	2,515,011	2,471,819	1,260,540	1,241,019	5,152,913
Cost of revenues	1,986,652	1,919,875	995,434	970,504	4,049,999
Gross profit	528,359	551,944	265,106	270,515	1,102,914
Gain from change in designation from inventories to investment property	57,776	8,035	57,776	-	105,683
Appreciation (impairment) of investment property, net	(38,504)	292,827	(34,498)	203,064	565,467
Selling and marketing expenses	547,631	852,806	288,384	473,579	1,774,064
General and administrative expenses	48,943	43,497	24,442	21,107	88,410
Group's share of earnings of associates, net	189,448	172,599	96,186	88,338	352,144
Other income (expenses), net	37,965	98,485	27,267	87,656	125,643
Operating income	2,065	(11,236)	907	(8,502)	11,213
Finance expenses	349,270	723,959	195,930	443,288	1,470,366
Finance income	(269,294)	(233,924)	(141,129)	(134,254)	(445,565)
Income before taxes on income	107,917	33,409	82,009	20,102	96,253
Taxes on income	187,893	523,444	136,810	329,136	1,121,054
Net income	20,855	70,723	18,532	36,095	157,091
Net income attributable to:	167,038	452,721	118,278	293,041	963,963
Equity holders of the Company	163,067	433,771	116,159	293,482	930,846
Non-controlling interests	3,971	18,950	2,119	(441)	33,117
Net earnings per share attributable to equity holders of the Company (in NIS):	1.61	4.29	1.15	2.90	9.20
Basic and diluted net earnings	1.61	4.29	1.15	2.90	9.20

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, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Net income	167,038	452,721	118,278	293,041	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	138,322	90,498	45,002	82,347	117,054
Group's share of net other comprehensive income of associates from adjustments arising from translating financial statements of foreign operations	5,411	4,111	1,865	3,892	3,680
	143,733	94,609	46,867	86,239	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)	8,123	1,413	(303)	710	104,772
Remeasurement loss from defined benefit plans, net	-	-	-	-	(1,328)
	8,123	1,413	(303)	710	103,444
Total other comprehensive income	151,856	96,022	46,564	86,949	224,178
Total comprehensive income	318,894	548,743	164,842	379,990	1,188,141
Total comprehensive income attributable to:					
Equity holders of the Company	303,974	525,303	159,166	375,840	1,145,180
Non-controlling interests	14,920	23,440	5,676	4,150	42,961
Total	318,894	548,743	164,842	379,990	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	-	-	-	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 (Note 5d)	-	-	-	(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 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	-	-	-	433,771	-	-	-	-	433,771	18,950	452,721
Total other comprehensive income	-	-	-	-	-	1,413	90,119	-	91,532	4,490	96,022
Total comprehensive income	-	-	-	433,771	-	1,413	90,119	-	525,303	23,440	548,743
Cost of share-based payment	-	-	-	-	1,934	-	-	-	1,934	74	2,008
Exercise of share options	2	554	-	-	(554)	-	-	-	2	-	2
Dividend to equity holders of the Company	-	-	-	(200,000)	-	-	-	-	(200,000)	-	(200,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(445)	(445)
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	-	-	1,758	1,758
Balance at June 30, 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

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, 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, 2022	57,156	1,339,288	25,013	2,860,805	4,650	251,566	(520,381)	(45,278)	3,972,819	177,958	4,150,777
Net income (loss)	-	-	-	293,482	-	-	-	-	293,482	(441)	293,041
Total other comprehensive income	-	-	-	-	-	710	81,648	-	82,358	4,591	86,949
Total comprehensive income	-	-	-	293,482	-	710	81,648	-	375,840	4,150	379,990
Cost of share-based payment	-	-	-	-	1,534	-	-	-	1,534	32	1,566
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(13)	(13)
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	-	-	1,362	1,362
Balance at June 30, 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

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
Total other comprehensive income (loss)	-	-	-	(1,328)	-	104,772	110,890	-	214,334	9,844	224,178
Total comprehensive income	-	-	-	929,518	-	104,772	110,890	-	1,145,180	42,961	1,188,141
Cost of share-based payment	-	-	-	-	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 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

	Six months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<u>Cash flows from operating activities:</u>					
Net income	167,038	452,721	118,278	293,041	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	(37,965)	(98,485)	(27,267)	(87,656)	(125,643)
Impairment (appreciation) of investment property and investment property under construction	38,504	(292,827)	34,498	(203,064)	(565,467)
Interest costs, net	106,335	76,080	35,624	24,958	121,002
Loss (gain) from marketable securities	(19,745)	37,351	(17,775)	25,540	54,121
Depreciation and amortization of property, plant and equipment and intangible assets	40,305	42,775	20,190	21,116	83,922
Gain from change in designation from inventories to investment property	(57,776)	(8,035)	(57,776)	-	(105,683)
Deferred taxes, net	(32,174)	36,670	(9,952)	25,650	95,794
Appreciation of lands for construction		4,691	-	4,691	(26,936)
Revaluation of long-term loans	45,373	58,305	19,511	32,898	88,671
Revaluation of debentures	91,115	59,924	53,083	37,364	121,517
Loss from sale and appreciation of investments	8	72	3	25	89
Change in employee benefit liabilities, net	(1,031)	713	(350)	1,038	(2,040)
Cost of share-based payment	3,483	2,008	1,363	1,566	6,252
Loss from sale of property, plant and equipment	(577)	(397)	(493)	(404)	(846)
Revaluation of long-term receivables and other investments	(35,666)	(9,492)	(43,002)	(6,860)	(26,969)
Gain from receivables from concession arrangements	(6,445)	(8,211)	(3,587)	(5,107)	(13,722)
	<u>133,744</u>	<u>(98,858)</u>	<u>4,070</u>	<u>(128,245)</u>	<u>(295,938)</u>
<u>Changes in asset and liability items:</u>					
Decrease (increase) in trade and unbilled receivables and in other accounts receivable	19,677	(17,728)	72,609	120,699	(429,842)
Decrease (increase) in inventories of buildings and retail space for sale less advances from customers and from buyers of apartments and in inventories	(58,143)	227,211	(7,216)	100,548	152,368
Increase (decrease) in subcontractors and trade payable and in other accounts payable	(8,718)	34,535	(56,385)	(15,740)	277,488
	<u>(47,184)</u>	<u>244,018</u>	<u>9,008</u>	<u>205,507</u>	<u>14</u>
<u>Cash paid and received during the period for:</u>					
Dividend received	1,450	44,147	-	1,647	74,546
Taxes paid, net	(29,273)	(68,635)	(4,374)	(66,413)	(100,563)
	<u>(27,823)</u>	<u>(24,488)</u>	<u>(4,374)</u>	<u>(64,766)</u>	<u>(26,017)</u>
Net cash provided by operating activities before purchase of lands for construction	225,775	573,393	126,982	305,537	642,022
Purchase of lands for construction, net	(781,421)	(172,958)	(80,461)	(37,246)	(503,835)
Receipt of refund (payment) of value added tax on purchase of lands for construction	(7,261)	-	81,092	-	-
Net cash provided by (used in) operating activities	<u>(562,907)</u>	<u>400,435</u>	<u>127,613</u>	<u>268,291</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

	Six months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<u>Cash flows from investing activities:</u>					
Investment in investment property	(87,283)	(79,332)	(46,110)	(36,026)	(188,453)
Investment in investment property under construction	(393,202)	(401,961)	(19,347)	(34,759)	(463,873)
Payments on account of investment property	(386,339)	-	(51)	-	(90,256)
Sale (purchase) of short-term investments, net	95,982	(32,947)	(82,512)	(26,052)	(240,472)
Purchase of property, plant and equipment	(41,740)	(90,367)	(21,150)	(44,490)	(170,640)
Interest received	7,896	5,715	2,356	4,123	20,805
Grant of long-term loans to associates, net	(25,580)	(75,235)	(8,985)	(648)	(79,551)
Collection of receivables from concession arrangements	7,452	6,756	3,772	3,423	13,878
Acquisition of newly consolidated company	-	-	-	-	(4,390)
Investment in associates and other investments	-	(2,243)	-	(1,464)	(39,026)
Proceeds from sale of property, plant and equipment and investment property	47,566	16,486	37,357	16,333	228,003
Grant of long-term loans and other investments	(140,891)	(39,395)	(71,524)	(2,204)	(136,607)
Collection of long-term loans and deposits	23,711	8,325	20,121	4,754	22,219
Net cash used in investing activities	(892,428)	(684,198)	(186,073)	(117,010)	(1,128,363)
<u>Cash flows from financing activities:</u>					
Issue of debentures (net of issue expenses)	828,004	500,154	737,723	500,154	1,016,762
Repayment of debentures	(380,234)	(387,896)	(171,635)	(210,950)	(683,048)
Receipt of long-term loans from banks and others	1,350,298	608,959	174,349	309,767	909,903
Repayment of long-term loans from banks and others	(239,857)	(73,745)	(177,727)	(17,545)	(220,455)
Short-term credit from banks and others, net	285,032	(93,031)	(106,307)	(75,038)	6,855
Repayment of lease liabilities	(12,626)	(18,370)	(5,798)	(9,122)	(34,410)
Interest paid	(215,170)	(125,781)	(93,858)	(55,308)	(248,388)
Proceeds from exercise of options	-	2	-	-	2
Dividend to equity holders of the Company	(200,000)	(200,000)	(200,000)	(200,000)	(320,000)
Dividend to non-controlling interests	-	(445)	-	(13)	(6,061)
Transactions with non-controlling interests	(16,862)	-	(16,862)	-	-
Net cash provided by financing activities	1,398,585	209,847	139,885	241,945	421,160
Translation differences of balances of cash and cash equivalents	5,762	8,925	3,250	6,786	9,322
Increase (decrease) in cash and cash equivalents	(50,988)	(64,991)	84,675	400,012	(559,694)
Cash and cash equivalents at the beginning of the period	921,891	1,481,585	786,228	1,016,582	1,481,585
Cash and cash equivalents at the end of the period	870,903	1,416,594	870,903	1,416,594	921,891

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, 2023 Unaudited	Six months ended June 30, 2022 Unaudited	Three months ended June 30, 2023 Unaudited	Three months ended June 30, 2022 Unaudited	Year ended December 31, 2022 Audited
<u>Significant non-cash transactions:</u>					
Right-of-use asset recognized against lease liability	110,954	32,528	3,238	28,413	46,073

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of June 30, 2023 and for the periods of six 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").

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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

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.

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 June 30, 2023	Carrying amount June 30, 2022	Carrying amount December 31, 2022	Fair value June 30, 2023	Fair value June 30, 2022	Fair value December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Financial assets:						
Receivables from concession arrangements (1)	265,271	267,889	266,278	268,378	293,259	276,633
Financial liabilities:						
Loans with fixed interest (1)	3,198,785	2,485,957	2,574,538	3,013,142	2,505,321	2,441,079
Debentures (2)	5,759,120	4,941,527	5,223,073	5,535,902	4,944,465	5,058,070
Total	8,957,905	7,427,484	7,797,611	8,549,044	7,449,786	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:

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.)

Six months ended June 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 development - Ashtrom Properties	Residential real estate development in Israel - Ashdar	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	789,811	350,699	39,059	8,315	167,286	-	290,736	912,959	2,558,865	-	(87,046)	2,471,819
Intersegment revenues	453,415	96,583	-	-	-	341	4,437	-	554,776	(554,748)	(28)	-
Total revenues	1,243,226	447,282	39,059	8,315	167,286	341	295,173	912,959	3,113,641	(554,748)	(87,074)	2,471,819
Cost of revenues	1,115,432	380,065	17,232	6,605	127,146	405	136,979	720,347	2,504,211	(546,555)	(37,781)	1,919,875
Gross profit (loss)	127,794	67,217	21,827	1,710	40,140	(64)	158,194	192,612	609,430	(8,193)	(49,293)	551,944
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	8,035	-	8,035	-	-	8,035
Appreciation (impairment) of investment property	-	-	158,317	-	(523)	-	226,832	-	384,626	10,504	(102,303)	292,827
Selling and marketing expenses	1,912	30,580	575	-	2,193	-	1,458	7,354	44,072	-	(575)	43,497
General and administrative expenses	68,822	18,957	3,693	1,893	24,394	2,837	32,692	23,803	177,091	665	(5,157)	172,599
Operating income (loss)	57,060	17,680	175,876	(183)	13,030	(2,901)	358,911	161,455	780,928	1,646	(145,864)	636,710
Earnings of associates												98,485
Other expenses												11,236
Operating income												723,959
Finance expenses, net												200,515
Income before taxes on income												523,444

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 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	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.)

Three months ended June 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 development - Ashtrom Properties	Residential real estate development in Israel - Ashdar	Total before adjustments	Adjustments	Adjustments - associates	Total
Revenues from external customers	435,850	167,243	21,678	4,162	103,121	-	106,530	446,919	1,285,503	-	(44,484)	1,241,019
Intersegment revenues	225,155	50,949	-	-	-	341	1,084	-	277,529	(277,523)	(6)	-
Total revenues	661,005	218,192	21,678	4,162	103,121	341	107,614	446,919	1,563,032	(277,523)	(44,490)	1,241,019
Cost of revenues	593,630	183,955	11,209	3,321	82,011	405	35,503	348,285	1,258,319	(268,144)	(19,671)	970,504
Gross profit (loss)	67,375	34,237	10,469	841	21,110	(64)	72,111	98,634	304,713	(9,379)	(24,819)	270,515
Appreciation (impairment) of investment property	-	-	168,751	-	(980)	-	131,334	-	299,105	5,998	(102,039)	203,064
Selling and marketing expenses	581	15,224	481	-	1,613	-	365	3,116	21,380	-	(273)	21,107
General and administrative expenses	39,155	10,188	1,956	1,322	10,348	922	13,465	12,577	89,933	360	(1,955)	88,338
Operating income (loss)	27,639	8,825	176,783	(481)	8,169	(986)	189,615	82,941	492,505	(3,741)	(124,630)	364,134
Earnings of associates												87,656
Other expenses												8,502
Operating income												443,288
Finance expenses, net												114,152
Income before taxes on income												329,136

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 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 the ILA tender 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 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 using a long-term bank loan of approximately NIS 247 million.
- 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 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 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 7d 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, as of the reporting date, 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. ("Zalfon") 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 is 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.
- q. The local market interest rate hikes have an effect on the Company's financial liabilities. The Group has NIS liabilities bearing variable interest in an aggregate of NIS 3.6 billion and any change in the BOI benchmark interest rate directly 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 six months ended June 30, 2023, the BOI benchmark interest rate rose by 1.5% (from 3.25% as of December 31, 2022 to 4.75% as of June 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 124 million in the period of six months ended June 30, 2023 (approximately NIS 101 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.
- r. After the reporting date, 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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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:

	June 30, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
Current assets	21,963	42,657	34,535
Non-current assets	1,467,759	1,352,190	1,386,067
Current liabilities	20,554	16,443	19,798
Non-current liabilities	581,934	576,178	564,470
Equity attributable to equity holders of the Company	887,234	802,226	836,334
Holding rate in associate	50%	50%	50%
Excess cost	7,002	7,002	7,002
Balance of investment in associate	450,619	408,115	425,169

	Six months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2023	Three months ended June 30, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenues	39,163	35,950	19,783	18,320	73,925
Gross profit	34,022	31,173	17,452	16,029	64,533
Appreciation of investment property	44,120	156,933	41,257	149,741	181,071
Net income	50,900	139,635	40,050	125,771	173,743
Holding rate in associate	50%	50%	50%	50%	50%
Adjustments for excess cost	-	-	-	-	-
Company's share of associate's earnings	25,450	69,818	20,025	62,886	86,872