

ASHTROM GROUP LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2023

UNAUDITED

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

Introduction

We have reviewed the accompanying financial information of Ashtrom Group Ltd. and subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of March 31, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended. The board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of interim financial information for this period in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of subsidiaries, whose assets constitute approximately 16% of total consolidated assets as of March 31, 2023, and whose revenues constitute approximately 6% of total consolidated revenues for the three months period then ended. Furthermore, we did not review the condensed interim financial information of companies accounted for at equity, the investment in which amounted to approximately NIS 82 million as of March 31, 2023 and the Group's share of their earnings amounted to approximately NIS 0.4 million for the three months period then ended. 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
May 23, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NIS in thousands

	March 31, 2023	March 31, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	786,228	1,016,582	921,891
Short-term investments	762,886	748,143	939,410
Trade and unbilled receivables	1,545,167	1,190,436	1,503,448
Other accounts receivable	250,840	175,051	150,541
Inventories of buildings and retail space for sale	1,451,273	1,676,848	1,536,382
Inventories	129,482	106,306	125,914
	<u>4,925,876</u>	<u>4,913,366</u>	<u>5,177,586</u>
Assets held for sale	49,188	60,290	-
Total current assets	<u>4,975,064</u>	<u>4,973,656</u>	<u>5,177,586</u>
NON-CURRENT ASSETS:			
Lands for construction	1,947,154	1,111,472	1,232,822
Investment property under construction	2,284,834	1,643,205	1,898,583
Receivables from concession arrangements	250,177	252,373	251,348
Payments on account of purchase of investment property	476,544	-	*) 90,256
Investment property	6,243,390	5,415,746	6,048,063
Associates	1,680,264	1,506,118	1,641,009
Other receivables and investments	511,150	302,393	*) 447,569
Property, plant and equipment, net	1,384,825	1,076,780	1,323,251
Intangible assets and goodwill	42,573	44,362	43,016
Deferred taxes	77,596	85,156	80,069
Total non-current assets	<u>14,898,507</u>	<u>11,437,605</u>	<u>13,055,986</u>
Total assets	<u>19,873,571</u>	<u>16,411,261</u>	<u>18,233,572</u>

*) Reclassified.

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


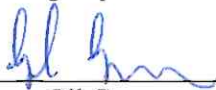

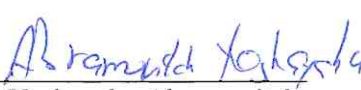
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NIS in thousands

	March 31, 2023	March 31, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	1,162,858	791,266	1,085,473
Loans from institutional entities	401,266	174,859	172,512
Current maturities of non-current liabilities	1,536,179	*) 1,128,445	1,199,801
Subcontractors and trade payables	1,140,329	987,483	1,150,773
Liability for combination transactions	106,894	243,472	146,411
Advances from customers and buyers of apartments and real estate	274,515	590,849	374,262
Dividend payable	200,000	200,000	-
Other accounts payable	381,573	*) 423,013	355,693
Total current liabilities	5,203,614	4,539,387	4,484,925
NON-CURRENT LIABILITIES:			
Loans from banks	2,580,576	1,991,954	2,039,216
Loans from institutional entities	1,920,978	*) 1,326,222	1,497,148
Debentures	4,411,947	3,862,020	4,501,167
Lease liabilities	204,292	85,572	107,903
Other liabilities	16,108	*) 32,988	11,941
Employee benefit liabilities	20,088	20,817	20,769
Deferred taxes	510,222	401,524	520,929
Total non-current liabilities	9,664,211	7,721,097	8,699,073
Total liabilities	14,867,825	12,260,484	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	3,376,942	2,860,805	3,530,034
Reserves	28,766	(284,430)	(71,194)
Total	4,802,212	3,972,819	4,855,284
Non-controlling interests	203,534	177,958	194,290
Total equity	5,005,746	4,150,777	5,049,574
Total liabilities and equity	19,873,571	16,411,261	18,233,572

*) 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	Yeshayahu Abramovitch Chief Accounting Officer

Date of approval of the financial statements: May 23, 2023.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

NIS in thousands

	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Audited
Revenues	1,254,471	1,230,800	5,152,913
Cost of revenues	991,218	949,371	4,049,999
Gross profit	263,253	281,429	1,102,914
Gain from change in designation from inventories to investment property	-	8,035	105,683
Appreciation (impairment) of investment property, net	(4,006)	89,763	565,467
	259,247	379,227	1,774,064
Selling and marketing expenses	24,501	22,390	88,410
General and administrative expenses	93,262	84,261	352,144
Group's share of earnings of associates, net	10,698	10,829	125,643
Other income (expenses), net	1,158	(2,734)	11,213
Operating income	153,340	280,671	1,470,366
Finance expenses	(128,165)	(99,670)	(445,565)
Finance income	25,908	13,307	96,253
Income before taxes on income	51,083	194,308	1,121,054
Taxes on income	2,323	34,628	157,091
Net income	48,760	159,680	963,963
Net income attributable to:			
Equity holders of the Company	46,908	140,289	930,846
Non-controlling interests	1,852	19,391	33,117
Total	48,760	159,680	963,963
Net earnings per share attributable to equity holders of the Company (in NIS):			
Basic and diluted net earnings	0.46	1.39	9.20

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NIS in thousands

	Three months ended March 31, 2023 Unaudited	Three months ended March 31, 2022 Unaudited	Year ended December 31, 2022 Audited
Net income	48,760	159,680	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	93,320	8,151	117,054
Group's share of net other comprehensive income of associates from adjustments arising from translating financial statements of foreign operations	3,546	219	3,680
	<u>96,866</u>	<u>8,370</u>	<u>120,734</u>
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)	8,426	703	104,772
Remeasurement loss from defined benefit plans, net	-	-	(1,328)
	<u>8,426</u>	<u>703</u>	<u>103,444</u>
Total other comprehensive income	<u>105,292</u>	<u>9,073</u>	<u>224,178</u>
Total comprehensive income	<u>154,052</u>	<u>168,753</u>	<u>1,188,141</u>
Total comprehensive income attributable to:			
Equity holders of the Company	144,808	149,463	1,145,180
Non-controlling interests	9,244	19,290	42,961
Total	<u>154,052</u>	<u>168,753</u>	<u>1,188,141</u>

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	-	-	-	46,908	-	-	-	-	46,908	1,852	48,760
Total other comprehensive income	-	-	-	-	-	8,426	89,474	-	97,900	7,392	105,292
Total comprehensive income	-	-	-	46,908	-	8,426	89,474	-	144,808	9,244	154,052
Cost of share-based payment	-	-	-	-	2,120	-	-	-	2,120	-	2,120
Exercise of share options	-	60	-	-	(60)	-	-	-	-	-	-
Dividend to equity holders of the Company (Note 5b)	-	-	-	(200,000)	-	-	-	-	(200,000)	-	(200,000)
Balance at March 31, 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

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	-	-	-	140,289	-	-	-	-	140,289	19,391	159,680
Total other comprehensive income (loss)	-	-	-	-	-	703	8,471	-	9,174	(101)	9,073
Total comprehensive income	-	-	-	140,289	-	703	8,471	-	149,463	19,290	168,753
Cost of share-based payment	-	-	-	-	400	-	-	-	400	42	442
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	-	-	-	-	-	-	-	-	-	(432)	(432)
Amounts classified to non-controlling interests	-	-	-	-	-	-	-	-	-	396	396
Balance at March 31, 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

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

	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Audited
<u>Cash flows from operating activities:</u>			
Net income	48,760	159,680	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	(10,698)	(10,829)	(125,643)
Impairment (appreciation) of investment property and investment property under construction	4,006	(89,763)	(565,467)
Interest costs, net	70,711	51,122	121,002
Loss (gain) from marketable securities	(1,970)	11,811	54,121
Depreciation and amortization of property, plant and equipment and intangible assets	20,115	21,659	83,922
Gain from change in designation from inventories to investment property	-	(8,035)	(105,683)
Deferred taxes, net	(22,222)	11,020	95,794
Appreciation of lands for construction	-	-	(26,936)
Revaluation of long-term loans	25,862	25,407	88,671
Revaluation of debentures	38,032	22,560	121,517
Loss from sale and appreciation of investments	5	47	89
Change in employee benefit liabilities, net	(681)	(325)	(2,040)
Cost of share-based payment	2,120	442	6,252
Loss (gain) from sale of property, plant and equipment	(84)	7	(846)
Revaluation of long-term receivables and other investments	7,336	(2,632)	(26,969)
Gain from receivables from concession arrangements	(2,858)	(3,104)	(13,722)
	<u>129,674</u>	<u>29,387</u>	<u>(295,938)</u>
Changes in asset and liability items:			
Increase in trade and unbilled receivables and in other accounts receivable	(52,932)	(138,427)	(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	(50,927)	126,663	152,368
Increase in subcontractors and trade payable and in other accounts payable	47,667	50,275	277,488
	<u>(56,192)</u>	<u>38,511</u>	<u>14</u>
Cash paid and received during the period for:			
Dividend received	1,450	42,500	74,546
Taxes paid, net	(24,899)	(2,222)	(100,563)
	<u>(23,449)</u>	<u>40,278</u>	<u>(26,017)</u>
Net cash provided by operating activities before purchase of lands for construction	98,793	267,856	642,022
Purchase of lands for construction, net	(700,960)	(135,712)	(503,835)
Value added tax paid on purchase of lands for construction	(88,353)	-	-
Net cash provided by (used in) operating activities	<u>(690,520)</u>	<u>132,144</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

	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Audited
<u>Cash flows from investing activities:</u>			
Investment in investment property	(41,173)	(43,306)	(188,453)
Investment in investment property under construction	(373,855)	(367,202)	(463,873)
Payments on account of investment property	(386,288)	-	(90,256)
Sale (purchase) of short-term investments, net	178,494	(6,895)	(240,472)
Purchase of property, plant and equipment	(20,590)	(45,877)	(170,640)
Interest received	5,540	1,592	20,805
Grant of long-term loans to associates, net	(16,595)	(74,587)	(79,551)
Collection of receivables from concession arrangements	3,680	3,333	13,878
Acquisition of newly consolidated company	-	-	(4,390)
Investment in associates and other investments	-	(779)	(39,026)
Proceeds from sale of property, plant and equipment and investment property	10,209	153	228,003
Grant of long-term loans and other investments	(69,367)	(37,191)	(136,607)
Collection of long-term loans and deposits	3,590	3,571	22,219
Net cash used in investing activities	<u>(706,355)</u>	<u>(567,188)</u>	<u>(1,128,363)</u>
<u>Cash flows from financing activities:</u>			
Issue of debentures (net of issue expenses)	90,281	-	1,016,762
Repayment of debentures	(208,599)	(176,946)	(683,048)
Receipt of long-term loans from banks and others	1,175,949	299,192	909,903
Repayment of long-term loans from banks and others	(62,130)	(56,200)	(220,455)
Short-term credit from banks and others, net	391,339	(17,993)	6,855
Repayment of lease liabilities	(6,828)	(9,248)	(34,410)
Interest paid	(121,312)	(70,473)	(248,388)
Proceeds from exercise of options	-	2	2
Dividend to equity holders of the Company	-	-	(320,000)
Dividend to non-controlling interests	-	(432)	(6,061)
Net cash provided by (used in) financing activities	<u>1,258,700</u>	<u>(32,098)</u>	<u>421,160</u>
Translation differences of balances of cash and cash equivalents	2,512	2,139	9,322
Decrease in cash and cash equivalents	(135,663)	(465,003)	(559,694)
Cash and cash equivalents at the beginning of the period	921,891	1,481,585	1,481,585
Cash and cash equivalents at the end of the period	<u><u>786,228</u></u>	<u><u>1,016,582</u></u>	<u><u>921,891</u></u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS in thousands

	Three months ended March 31, 2023 Unaudited	Three months ended March 31, 2022 Unaudited	Year ended December 31, 2022 Audited
<u>Significant non-cash transactions:</u>			
Dividend payable to equity holders of the Company	200,000	200,000	-
Right-of-use asset recognized against lease liability	107,716	4,115	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 March 31, 2023 and for the three months period then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2022 and for the year then ended and accompanying notes ("annual consolidated financial statements").
- b. As of March 31, 2023, the Company has a working capital deficit of approximately NIS 229 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 flow challenge and that the Company will be able to repay its financial liabilities when due. This assumption relies, among others, on the Company's cash forecasts for the period of two years following the date of publication of the financial statements, its ability to generate cash from operating activities, its available financing resources and ability to raise debt and its unutilized credit facilities. See Note 5e below for information on debentures totaling approximately NIS 468 million issued after the date of the 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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 is applied prospectively for annual reporting periods beginning on or after 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 application of the 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 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. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition 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 initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023. In relation to leases and decommissioning obligations, the Amendment is applied 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 application of the 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.)

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 is applicable for annual periods beginning on or after January 1, 2023.

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 March 31, 2023	Carrying amount March 31, 2022	Carrying amount December 31, 2022	Fair value March 31, 2023	Fair value March 31, 2022	Fair value December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Financial assets:						
Receivables from concession arrangements (1)	265,456	266,205	266,278	271,649	312,342	276,633
Financial liabilities:						
Loans with fixed interest (1)	3,124,473	2,358,724	2,574,538	2,986,190	2,519,616	2,441,079
Debentures (2)	5,133,952	4,609,881	5,223,073	4,888,685	4,795,354	5,058,070
Total	8,258,425	6,968,605	7,797,611	7,874,875	7,314,970	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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING

a. General:

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

The data of the operating segments of industries and of investment property and property development through Ashtrom Properties also include the Company's proportionate share of 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:

Three months ended March 31, 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	508,851	225,231	45,742	4,347	62,706	17	101,059	373,056	1,321,009	-	(66,538)	1,254,471
Intersegment revenues	219,367	53,393	-	-	-	601	-	-	273,361	(272,966)	(395)	-
Total revenues	728,218	278,624	45,742	4,347	62,706	618	101,059	373,056	1,594,370	(272,966)	(66,933)	1,254,471
Cost of revenues	657,894	237,931	26,600	3,602	47,286	550	25,925	293,358	1,293,146	(263,248)	(38,680)	991,218
Gross profit	70,324	40,693	19,142	745	15,420	68	75,134	79,698	301,224	(9,718)	(28,253)	263,253
Appreciation (impairment) of investment property	-	-	(18,446)	-	92	-	9,606	-	(8,748)	6,139	(1,397)	(4,006)
Selling and marketing expenses	1,063	17,877	493	-	687	9	168	5,322	25,619	-	(1,118)	24,501
General and administrative expenses	27,440	12,942	3,272	2,491	11,193	3,460	22,686	12,382	95,866	318	(2,922)	93,262
Operating income (loss)	41,821	9,874	(3,069)	(1,746)	3,632	(3,401)	61,886	61,994	170,991	(3,897)	(25,610)	141,484
Earnings of associates												10,698
Other income												1,158
Operating income												153,340
Finance expenses, net												102,257
Income before taxes on income												51,083

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT REPORTING (Cont.)

Three months ended March 31, 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	353,961	183,456	17,381	4,153	64,165	-	184,206	466,040	1,273,362	-	(42,562)	1,230,800
Intersegment revenues	228,260	45,634	-	-	-	-	3,353	-	277,247	(277,225)	(22)	-
Total revenues	582,221	229,090	17,381	4,153	64,165	-	187,559	466,040	1,550,609	(277,225)	(42,584)	1,230,800
Cost of revenues	521,802	196,110	6,023	3,284	45,135	-	101,476	372,062	1,245,892	(278,411)	(18,110)	949,371
Gross profit	60,419	32,980	11,358	869	19,030	-	86,083	93,978	304,717	1,186	(24,474)	281,429
Gain from change in designation from inventories to investment property	-	-	-	-	-	-	8,035	-	8,035	-	-	8,035
Appreciation (impairment) of investment property	-	-	(10,434)	-	457	-	95,498	-	85,521	4,506	(264)	89,763
Selling and marketing expenses	1,331	15,356	94	-	580	-	1,093	4,238	22,692	-	(302)	22,390
General and administrative expenses	29,667	8,769	1,737	571	14,046	1,915	19,227	11,226	87,158	305	(3,202)	84,261
Operating income (loss)	29,421	8,855	(907)	298	4,861	(1,915)	169,296	78,514	288,423	5,387	(21,234)	272,576
Earnings of associates												10,829
Other expenses												(2,734)
Operating income												280,671
Finance expenses, net												86,363
Income before taxes on income												194,308

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 (loss)	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 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 after issue expenses).
- b. 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.
- c. 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.
- d. 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.
- e. In a public 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 after 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 after issue expenses).
- f. 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 interim consolidated financial statements as of March 31, 2023, 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.)

- g. 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. As a result of the agreement, Ashtrom Properties recognized in investment property a right-of-use asset against a lease liability in the amount of approximately NIS 64 million. On January 31, 2023, the Company's Audit Committee approved the agreement.
- h. 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.
- i. 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.
- j. 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 121 million.
- k. 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.
- l. 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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- m. 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 3.8 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 three months ended March 31, 2023, the BOI benchmark interest rate rose by 1% (from 3.25% as of December 31, 2022 to 4.25% as of March 31, 2023). It should also be noted that after the reporting date, in April and May 2023, the BOI further raised the interest by a cumulative 0.5%.

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 53 million in the period of three months ended March 31, 2023 (approximately NIS 38 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:

	March 31, 2023	March 31, 2022	December 31, 2022
	Unaudited	Unaudited	Audited
Current assets	18,323	50,946	34,535
Non-current assets	1,414,888	1,201,392	1,386,067
Current liabilities	17,936	18,727	19,798
Non-current liabilities	568,091	557,156	564,470
Equity attributable to equity holders of the Company	847,184	676,455	836,334
Holding rate in associate	50%	50%	50%
Excess cost	7,002	7,002	7,002
Balance of investment in associate	430,594	345,230	425,169

	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended December 31, 2022
	Unaudited	Unaudited	Audited
Revenues	19,380	17,630	73,925
Gross profit	16,570	15,144	64,533
Appreciation of investment property	2,863	7,192	181,071
Net income	10,850	13,864	173,743
Holding rate in associate	50%	50%	50%
Adjustments for excess cost	-	-	-
Company's share of associate's earnings	5,425	6,932	86,872