

FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2023

UNAUDITED

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**AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF
FATTAL HOLDINGS (1998) LTD.**

Introduction

We have reviewed the accompanying financial information of Fattal Holdings (1998) Ltd. ("the Company"), which comprises the condensed consolidated statement of financial position as of September 30, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with 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 certain subsidiaries, whose assets included in consolidation constitute approximately 0.78% of total consolidated assets as of September 30, 2023, and whose revenues included in consolidation constitute approximately 3.49% of total consolidated revenues for the nine months periods then ended. Furthermore, we did not review the condensed interim financial information of certain companies accounted for at equity, the investment in which, at equity, amounted to approximately NIS 448,437 thousand as of September 30, 2023, and the Company's share of their earnings amounted to approximately NIS 5,774 thousand and NIS 829 thousand for the nine and three months periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the 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 the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
November 23, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

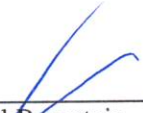
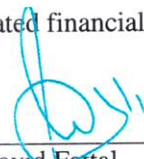

	December 31,	September 30,		Convenience
	2022	2022	2023	translation
	Audited	Unaudited		(Note 1e)
	N I S in thousands			September 30,
				2023
				Unaudited
				Euro
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	829,643	645,991	383,648	94,655
Securities held for trading	81,562	71,325	22,241	5,487
Trade receivables	400,061	497,373	548,607	135,355
Restricted deposit	3,951	20,138	-	-
Other accounts receivable	245,739	191,717	227,886	56,226
Income tax receivable	6,162	2,417	5,601	1,382
Inventories	20,119	18,536	26,363	6,504
	<u>1,587,237</u>	<u>1,447,497</u>	<u>1,214,346</u>	<u>299,609</u>
Assets held for sale	-	153,118	-	-
	<u>1,587,237</u>	<u>1,600,615</u>	<u>1,214,346</u>	<u>299,609</u>
NON-CURRENT ASSETS:				
Long-term receivables	93,319	95,923	57,267	14,129
Advance on Fixed Assets	15,646	14,532	13,038	3,217
Loans and Investments in companies and partnerships accounted for at equity	2,370,967	2,180,863	2,827,590	697,636
Property, plant and equipment, net	6,113,864	5,652,146	7,299,576	1,800,986
Property, plant and equipment under construction	560,506	382,209	477,109	117,715
Right-of-use assets, net	11,816,059	11,070,817	13,129,799	3,239,446
Deferred taxes on right-of-use assets	467,499	415,140	565,127	139,431
Deferred taxes	189,021	188,967	201,401	49,691
Intangible assets	345,082	347,448	373,680	92,196
	<u>21,971,963</u>	<u>20,348,045</u>	<u>24,944,587</u>	<u>6,154,447</u>
	<u>23,559,200</u>	<u>21,948,660</u>	<u>26,158,933</u>	<u>6,454,056</u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2022	September 30, 2022 2023		Convenience translation (Note 1e) September 30, 2023	
	Audited	Unaudited		Unaudited	
	NIS in thousands				Euro
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Short-term credit from banks and others	707,594	453,739	489,479	120,767	
Current maturities of liabilities from leases of right-of-use assets	412,838	371,749	495,204	122,179	
Current maturities of debentures	452,940	363,465	498,029	122,876	
Trade payables	282,572	249,800	317,707	78,386	
Income tax payable	70,496	63,252	58,846	14,519	
Other accounts payable	878,970	912,707	1,001,810	247,170	
Shareholders	6,290	3,729	8,309	2,050	
	<u>2,811,700</u>	<u>2,418,441</u>	<u>2,869,384</u>	<u>707,947</u>	
Liabilities attributed to assets held for sale	-	53,586	-	-	
	<u>2,811,700</u>	<u>2,472,027</u>	<u>2,869,384</u>	<u>707,947</u>	
NON-CURRENT LIABILITIES:					
Loans from banks and others	2,690,329	2,608,465	3,057,898	754,459	
Debentures, net	2,234,939	2,218,202	2,209,481	545,134	
Liabilities from leases of right-of-use assets	12,733,958	11,873,322	14,263,635	3,519,191	
Deferred taxes	411,979	370,502	480,079	118,447	
Employee benefit liabilities, net	20,155	23,234	22,937	5,659	
Other non-current liabilities	90,410	68,350	121,890	30,073	
Shareholders	5,181	2,958	8,889	2,193	
Total non-current liabilities	<u>18,186,951</u>	<u>17,165,033</u>	<u>20,164,809</u>	<u>4,975,156</u>	
Total liabilities	<u>20,998,651</u>	<u>19,637,060</u>	<u>23,034,193</u>	<u>5,683,103</u>	
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:					
Share capital and premium	1,014,932	998,388	1,082,392	267,053	
Capital reserves	1,419,158	1,189,814	1,821,367	449,376	
Retained earnings	47,302	47,456	126,168	31,129	
	<u>2,481,392</u>	<u>2,235,658</u>	<u>3,029,927</u>	<u>747,558</u>	
Non-controlling interests	<u>79,157</u>	<u>75,942</u>	<u>94,813</u>	<u>23,395</u>	
Total equity	<u>2,560,549</u>	<u>2,311,600</u>	<u>3,124,740</u>	<u>770,953</u>	
	<u>23,559,200</u>	<u>21,948,660</u>	<u>26,158,933</u>	<u>6,454,056</u>	

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

November 23, 2023 Date of approval of the financial statements	 Yuval Bronstein Chairman of the Board of Directors	 David Fattal Chief Executive Officer and Director	 Shehar Aka Chief Financial Officer and Director
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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended December 31, 2022 Audited	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1e)
		2022		2023		Nine months ended September 30, 2023
				Unaudited		Unaudited
				NIS in thousands		Euro
Revenues from hospitality services and others	5,471,418	1,695,404	2,024,123	3,954,550	5,157,132	1,272,392
Cost of revenues	3,077,607	875,327	1,040,254	2,218,980	2,828,941	697,970
	2,393,811	820,077	983,869	1,735,570	2,328,191	574,422
Selling and marketing expenses	134,586	36,102	24,980	95,679	105,306	25,982
General and administrative expenses	434,215	125,199	163,337	324,350	420,446	103,734
	1,825,010	658,776	795,552	1,315,541	1,802,439	444,706
Hotel lease expenses	93,323	43,560	61,815	64,375	120,828	29,811
Operating income before depreciation and amortization and other operating income, net	1,731,687	615,216	733,737	1,251,166	1,681,611	414,895
Depreciation and amortization	302,387	67,623	89,208	202,136	237,810	58,674
Depreciation of revaluation of step-up	31,553	6,891	8,679	23,598	28,604	7,057
Depreciation on right-of-use assets	671,394	163,880	200,526	486,804	571,805	141,077
Other operating (income) expenses, net	(21,948)	(2,158)	14,392	(18,379)	20,225	4,990
Operating income	748,301	378,980	420,932	557,007	823,167	203,097
Finance income	220	34	22	135	777	192
Finance expenses	(233,592)	(91,942)	(83,829)	(197,863)	(225,081)	(55,533)
Financing expenses on liabilities from leases of right-of-use assets	(649,445)	(157,889)	(188,269)	(477,284)	(541,878)	(133,695)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	861	8,284	14,319	(5,948)	(231)	(58)
Income (loss) before tax benefit	(133,655)	137,467	163,175	(123,953)	56,754	14,003
Tax benefit (Taxes on income)	55,199	(41,678)	(39,220)	55,679	(8,192)	(2,022)
Net income (loss)	(78,456)	95,789	123,955	(68,274)	48,562	11,981
Attributable to:						
Shareholders of the Company	(78,775)	95,393	123,696	(69,327)	48,069	11,860
Non-controlling interests	319	396	259	1,053	493	121
	(78,456)	95,789	123,955	(68,274)	48,562	11,981
<u>Net earnings (loss) per share attributed to equity holders of the Company (in NIS)</u>						
Basic net earnings (loss) per share	(5.01)	6.02	3.83	(4.44)	2.94	0.73
Diluted net earnings (loss) per share	(5.01)	5.87	3.82	(4.44)	2.93	0.74

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended	Three months ended		Nine months ended		Convenience	
	December 31,	September 30,		September 30,		translation	
	2022	2022	2023	2022	2023	(Note 1e)	
	Audited	Unaudited				Nine months ended	
	NIS un thousands						September 30, 2023
							Unaudited
							Euro
Net income (loss)	(78,456)	95,789	123,955	(68,274)	48,562	11,981	
Other comprehensive income (after tax effect):							
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>							
Actuarial income, net	15,408	-	-	-	-	-	
Revaluation of properties, net	193,515	80,088	117,160	178,435	176,942	43,657	
Group's share in revaluation of properties in companies and partnerships accounted for at equity	174,425	35,627	73,759	69,511	142,295	35,108	
Total amounts that will not be reclassified subsequently to profit or loss	383,348	115,715	190,919	247,946	319,237	78,765	
<u>Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:</u>							
Income (loss) in respect of cash flow hedging transaction	(5,790)	9,565	13,639	16,769	(53,336)	(13,159)	
Foreign currency translation adjustments	113,523	(74,994)	(5,085)	(15,405)	177,946	43,904	
Total amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:	107,733	(65,429)	8,554	1,364	124,610	30,745	
Total other comprehensive income	491,081	50,286	199,473	249,310	443,847	109,510	
Total comprehensive income	412,625	146,075	323,428	181,036	492,409	121,491	
Attributable to:							
Shareholders of the Company	406,642	146,221	315,943	178,297	479,126	118,212	
Non-controlling interests	5,983	(146)	7,485	2,739	13,283	3,279	
	412,625	146,075	323,428	181,036	492,409	121,491	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
	Share capital and premium	Share -based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of January 1, 2023 (audited)</u>	1,014,932	13,093	47,302	(341,417)	7,518	70,202	1,669,762	2,481,392	79,157	2,560,549
Net income	-	-	48,069	-	-	-	-	48,069	493	48,562
Comprehensive income (loss)	-	-	-	227,049	-	(53,336)	257,344	431,057	12,790	443,847
Total comprehensive income (loss)	-	-	48,069	227,049	-	(53,336)	257,344	479,126	13,283	492,409
Issuance of share	189	(189)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	67,271	-	-	-	-	-	-	67,271	-	67,271
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	3,229	3,229
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(856)	(856)
Vesting option to employees	-	2,138	-	-	-	-	-	2,138	-	2,138
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	30,797	-	-	-	(30,797)	-	-	-
<u>Balance as of September 30, 2023</u>	<u>1,082,392</u>	<u>15,042</u>	<u>126,168</u>	<u>(114,368)</u>	<u>7,518</u>	<u>16,866</u>	<u>1,896,309</u>	<u>3,029,927</u>	<u>94,813</u>	<u>3,124,740</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	Convenience translation into Euro (Note 1e) (In thousands)									
<u>Balance as of January 1, 2023 (audited)</u>	250,409	3,230	11,671	(84,236)	1,855	17,321	411,972	612,222	19,530	631,752
Net income	-	-	11,860	-	-	-	-	11,860	121	11,981
Comprehensive income (loss)	-	-	-	56,019	-	(13,159)	63,492	106,352	3,158	109,510
Total comprehensive income (loss)	-	-	11,860	56,019	-	(13,159)	63,492	118,212	3,279	121,491
Issuance of share	47	(47)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	16,597	-	-	-	-	-	-	16,597	-	16,597
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	797	797
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(211)	(211)
Vesting option to employees	-	527	-	-	-	-	-	527	-	527
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	7,598	-	-	-	(7,598)	-	-	-
<u>Balance as of September 30, 2023</u>	<u>267,053</u>	<u>3,710</u>	<u>31,129</u>	<u>(28,217)</u>	<u>1,855</u>	<u>4,162</u>	<u>467,866</u>	<u>747,558</u>	<u>23,395</u>	<u>770,953</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Attributable to shareholders of the Company									
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of January 1, 2022 (audited)</u>	829,815	10,107	91,496	(493,170)	7,518	75,992	1,364,889	1,886,647	73,717	1,960,364
Net income (loss)	-	-	(69,327)	-	-	-	-	(69,327)	1,053	(68,274)
Comprehensive income (loss)	-	-	-	(25,680)	-	16,769	256,535	247,624	1,686	249,310
Total comprehensive income (loss)	-	-	(69,327)	(25,680)	-	16,769	256,535	178,297	2,739	181,036
Issuance of share	220	(220)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	168,353	-	-	-	-	-	-	168,353	-	168,353
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(514)	(514)
Vesting option to employees	-	2,361	-	-	-	-	-	2,361	-	2,361
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	25,287	-	-	-	(25,287)	-	-	-
<u>Balance as of September 30, 2022</u>	<u>998,388</u>	<u>12,248</u>	<u>47,456</u>	<u>(518,850)</u>	<u>7,518</u>	<u>92,761</u>	<u>1,596,137</u>	<u>2,235,658</u>	<u>75,942</u>	<u>2,311,600</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Attributable to shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital and premium	Share -based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve			
	Unaudited									
	NIS in thousands									
<u>Balance as of July 1, 2023</u>	1,082,392	14,371	(6,886)	(117,836)	7,518	3,227	1,730,527	2,713,313	87,512	2,800,825
Net income	-	-	123,696	-	-	-	-	123,696	259	123,955
Comprehensive income	-	-	-	3,468	-	13,639	175,140	192,247	7,226	199,473
Total comprehensive income	-	-	123,696	3,468	-	13,639	175,140	315,943	7,485	323,428
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	217	217
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(401)	(401)
Vesting option to employees	-	671	-	-	-	-	-	671	-	671
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	9,358	-	-	-	(9,358)	-	-	-
<u>Balance as of September 30, 2023</u>	<u>1,082,392</u>	<u>15,042</u>	<u>126,168</u>	<u>(114,368)</u>	<u>7,518</u>	<u>16,866</u>	<u>1,896,309</u>	<u>3,029,927</u>	<u>94,813</u>	<u>3,124,740</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Attributable to shareholders of the Company									
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of July 1, 2022</u>	848,004	11,038	(55,372)	(428,004)	7,518	83,196	1,471,463	1,937,843	76,388	2,014,231
Net income	-	-	95,393	-	-	-	-	95,393	396	95,789
Comprehensive income (loss)	-	-	-	(90,846)	-	9,565	132,109	50,828	(542)	50,286
Total comprehensive income (loss)	-	-	95,393	(90,846)	-	9,565	132,109	146,221	(146)	146,075
Conversion of convertible bonds into shares	150,384	-	-	-	-	-	-	150,384	-	150,384
Receipt of loan from non-controlling interests	-	-	-	-	-	-	-	-	(300)	(300)
Vesting option to employees	-	1,210	-	-	-	-	-	1,210	-	1,210
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	7,435	-	-	-	(7,435)	-	-	-
<u>Balance as of September 30, 2022</u>	<u>998,388</u>	<u>12,248</u>	<u>47,456</u>	<u>(518,850)</u>	<u>7,518</u>	<u>92,761</u>	<u>1,596,137</u>	<u>2,235,658</u>	<u>75,942</u>	<u>2,311,600</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Attributable to shareholders of the Company									
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	NIS									
	(In thousands)									
Balance as of January 1, 2022 (audited)	829,815	10,107	91,496	(493,170)	7,518	75,992	1,364,889	1,886,647	73,717	1,960,364
Net income (loss)	-	-	(78,775)	-	-	-	-	(78,775)	319	(78,456)
Other comprehensive income (loss)	-	-	-	151,753	-	(5,790)	339,454	485,417	5,664	491,081
Total comprehensive income (loss)	-	-	(78,775)	151,753	-	(5,790)	339,454	406,642	5,983	412,625
Issuance of share	259	(259)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	184,858	-	-	-	-	-	-	184,858	-	184,858
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(543)	(543)
Vesting option to employees	-	3,245	-	-	-	-	-	3,245	-	3,245
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	34,581	-	-	-	(34,581)	-	-	-
Balance as of December 31, 2022 (audited)	<u>1,014,932</u>	<u>13,093</u>	<u>47,302</u>	<u>(341,417)</u>	<u>7,518</u>	<u>70,202</u>	<u>1,669,762</u>	<u>2,481,392</u>	<u>79,157</u>	<u>2,560,549</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended		Three months ended		Nine months ended		Convenience
	December 31,		September 30,		September 30,		translation
	2022		2023		2023		(Note 1e)
	Audited		Unaudited		Unaudited		Nine months
	NIS in thousands						ended
							September 30,
							2023
							Unaudited
							Euro
<u>Cash flows from operating activities:</u>							
Net income (loss)	(78,456)	95,789	123,955	(68,274)	48,562		11,981
Adjustments to the profit or loss items:							
Depreciation and amortization	1,005,334	238,394	298,413	712,538	838,219		206,808
Finance expenses, net	866,688	227,710	263,435	656,493	757,504		186,893
Group's share of losses (income) of companies and partnerships accounted for at equity	(861)	(8,284)	(14,319)	5,948	231		58
Change in liabilities for time-sharing rights, net	(614)	(158)	(144)	(472)	(425)		(105)
Change in employee benefit liabilities, net	15,536	872	953	2,318	2,658		656
Taxes on income (Tax benefit)	(55,199)	41,678	39,220	(55,679)	8,192		2,021
Gain from impairment of fixed assets	(2,713)	(466)	7,652	(1,837)	7,286		1,798
Share-based payment to employees expense	3,245	1,210	671	2,361	2,138		527
Other income from rent concession received	(21,403)	-	-	(21,403)	-		-
Loss (gain) from a change in the value of securities held for trading	14,461	9,592	(1,101)	11,740	4,565		1,126
	<u>1,824,474</u>	<u>510,548</u>	<u>594,780</u>	<u>1,312,007</u>	<u>1,620,368</u>		<u>399,782</u>
Changes in asset and liability items:							
Increase in trade receivables	(123,656)	(43,184)	(43,980)	(234,866)	(134,045)		(33,072)
Decrease (increase) in other accounts receivable	(65,608)	3,237	6,428	(3,767)	32,555		8,032
Increase in inventories	(4,156)	(1,271)	(2,895)	(3,768)	(4,780)		(1,179)
Decrease (increase) in long-term receivables	58,190	(11,862)	(7,416)	17,019	52,129		12,862
Increase (decrease) in trade payables	61,417	(44,084)	5,577	38,858	24,653		6,083
Increase (decrease) in other accounts payable	(51,831)	(40,051)	60,913	64,684	101,269		24,986
Increase (decrease) in other non-current liabilities	(32,794)	4,556	(12,497)	(13,620)	(88,587)		(21,857)
	<u>(158,438)</u>	<u>(132,659)</u>	<u>6,130</u>	<u>(135,460)</u>	<u>(16,806)</u>		<u>(4,145)</u>
Cash paid during the period for:							
Receiving a dividend from an investee company	-	-	-	-	4,000		987
Taxes paid	(37,575)	(10,423)	(33,218)	(37,572)	(86,040)		(21,228)
Interest paid for leases of right-of-use assets	(634,953)	(157,891)	(188,580)	(466,843)	(541,164)		(133,519)
Other interest paid, net	(173,077)	(66,641)	(69,775)	(144,728)	(195,011)		(48,114)
	<u>(845,605)</u>	<u>(234,955)</u>	<u>(291,573)</u>	<u>(649,143)</u>	<u>(818,215)</u>		<u>(201,874)</u>
Net cash provided by operating activities	<u>741,975</u>	<u>238,723</u>	<u>433,292</u>	<u>459,130</u>	<u>833,909</u>		<u>205,744</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2022		Three months ended September 30, 2022		Nine months ended September 30, 2022		Convenience translation (Note 1e)
	Audited		Unaudited		Unaudited		Nine months ended September 30, 2023
			NIS in thousands				Unaudited Euro
Cash flows from investing activities:							
Purchase of fixed assets less investment return from property owners	(886,752)	(112,247)	(181,559)	(570,471)	(505,459)	(124,709)	
Advance of investment in fixed assets	(4,143)	-	(12,387)	-	(12,479)	(3,079)	
Purchase of companies consolidated for the first time (a)	(15,332)	(15,332)	(48,669)	(15,332)	(107,262)	(26,464)	
Tax paid for the disposal of fixed assets in the past	(10,771)	(10,004)	-	(10,004)	-	-	
Sale and purchase of securities held for trading, net	(65,352)	(45,229)	28,664	(52,394)	54,756	13,510	
Loans and Investment in companies and partnerships accounted for at equity, net	(335,261)	(93,551)	(60,866)	(315,175)	(270,553)	(66,752)	
Change in designated deposit, net	16,239	(506)	(4,518)	(478)	38,444	9,485	
Return on investment (investment) in various companies	(26,909)	1,898	(1,114)	(19,390)	4,008	989	
Net cash used in investing activities	(1,328,281)	(274,971)	(280,449)	(983,244)	(798,545)	(197,020)	
Cash flows from financing activities:							
Short-term credit from banking corporations, net	7,617	(25,284)	9,202	(1,187)	8,603	2,123	
Receipt of long-term loans from banking corporations and others	964,236	134,786	6,473	696,020	211,563	52,198	
Repayment of long-term loans from corporations and others	(501,661)	(91,896)	(82,054)	(415,582)	(427,304)	(105,426)	
Issue of debentures, net	756,074	348,947	195,485	638,714	491,340	121,226	
Repayment of debentures	(253,416)	(132,779)	(198,142)	(253,287)	(420,931)	(103,854)	
Repayment of liabilities from leases of right-of-use assets	(351,436)	(117,373)	(131,468)	(243,982)	(381,320)	(94,081)	
Net cash provided by (used in) financing activities	621,414	116,401	(200,504)	420,696	(518,049)	(127,814)	
Translation differences in respect of balances of cash and cash equivalents	33,307	(17,052)	5,391	(2,742)	36,690	9,052	
Increase (decrease) in cash and cash equivalents	68,415	63,101	(42,270)	(106,160)	(445,995)	(110,038)	
Cash included in assets held for sale	15,567	1,139	-	6,490	-	-	
Cash and cash equivalents at beginning of period	745,661	581,751	425,918	745,661	829,643	204,693	
Cash and cash equivalents at end of period	829,643	645,991	383,648	645,991	383,648	94,655	
Material non-cash activity:							
Placement in designated deposit	-	19,927	-	19,927	-	-	
Purchase of properties, plant and equipment	31,625	-	-	-	-	-	
Recognition of the right-of-use assets against lease liabilities	760,714	440,621	106,707	567,861	179,169	44,205	
Updates in right-of-use assets in respect of linkages to the CPI index	285,106	-	-	-	-	-	
Receipt of waiver of lease payment	12,948	-	-	12,948	-	-	
Conversion of convertible bonds into shares	184,858	140,110	-	158,079	67,271	16,597	

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2022 Audited	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1e)
		2022	2023	2022	2023	Nine months ended September 30, 2023 Unaudited
	NIS in thousands					Euro
(a) <u>Acquisition of initially consolidated subsidiaries</u> (see note 4d and 4e)						
The subsidiaries' assets and liabilities at date of acquisition:						
Working capital (excluding cash and cash equivalents)	-	15,286	-	15,286	-	-
Current assets	(5,242)	-	-	-	(3,671)	(906)
Non-current assets	(30,620)	(30,618)	(131,466)	(30,618)	(292,143)	(72,079)
Current liabilities	20,530	-	-	-	-	-
Long-term liabilities	-	-	82,580	-	185,323	45,724
Non-controlling interests	-	-	217	-	3,229	797
	<u>(15,332)</u>	<u>(15,332)</u>	<u>(48,669)</u>	<u>(15,332)</u>	<u>(107,262)</u>	<u>(26,464)</u>

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL

- a. These financial statements have been prepared in a condensed format as of September 30, 2023 and for the nine and three months periods then ended (hereinafter – "interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2022 and for the year then ended and accompanying notes, which are included as part of the prospectus (hereinafter – "annual consolidated financial statements").
- b. As of the date of approval of the financial statements, the Company, through the investee companies, is the operator and manager of the Fattal Hotel Chain, which includes 277 hotels (of which, as of the date of approval of the financial statements, 233 are active and 44 are under construction) throughout Israel and Europe, comprising about 49,000 hotel rooms, including 70 hotels in Israel, 191 hotels throughout Europe (excluding Cyprus and Greece) and 16 hotels in Cyprus and Greece. For further details regarding operating segments, see Note 7.
- c. On October 7, 2023, the "Swords of Iron" war began in Israel and the Company's hotels in Israel enlisted to host the evacuated residents of the south and north. Payment for the stay for the evacuees is funded by the State in accordance with the arrangement decided by it. The Company estimates that the scope and nature of the activity is expected to have an immaterial negative impact on the Company's results in the Israel segment only in the fourth quarter of 2023. To the extent that the fighting continues, there may also be a negative impact on the results of the Israel segment in subsequent quarters, the scope of which cannot be assessed at this stage. It should be noted that the results of the Israel segment (EBITDAR) during the reporting period constituted about 20% of the Company's consolidated results (EBITDAR), and that the rest of the Company's operating segments operate mainly in Europe and their revenues are denominated mainly in euros and pounds sterling.
- d. It should be noted that, as of September 30, 2023, the Company had a consolidated working capital deficit of about NIS 1,655 million. According to the Company's Management and the Board of Directors, the above deficit does not indicate a liquidity issue as the Company has the following sources:
 - Cash and quoted securities in the amount of approximately NIS 700 million available to the Group close to the date of approval of the Financial Statements (For details about receiving financing after the date of the report, see Note 4a (6) and (7)).
 - Obtaining financing for properties that were not financed (a total of approximately NIS 300 million) and additional properties that were purchased with external financing when a major part of this external financing has already been repaid and the Company is working to raise external financing for these hotels.
 - Ability to obtain finance vis-à-vis banking corporations against properties at a low financing rate, as well as financing ability in the capital market.
 - The Company has a positive cash flow from current operating activities in the first nine months of the year in the amount of approximately NIS 834 million, which is even expected to increase as a result of the opening of new hotels in Europe in the coming year.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL (Cont.)

The Management and the Board of Directors believe that the Company will meet its obligations for the foreseeable future.

- e. The financial statements as of September 30, 2023 and for the nine months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 4.0531) The translation was made solely for the convenience of the reader. The amounts presented in these financial statements should not be construed to represent amounts receivable or payable in Euros or convertible into Euros, unless otherwise indicated in these statements.

NOTE 2- : SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed 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 principal accounting policies and methods of calculation used for preparation of consolidated interim financial statements are consistent with those implemented for preparation of the annual consolidated financial statements, except as described below:

- b. Initial adoption of amendments to existing financial reporting and 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 to be 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 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 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 is effective 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

The application of the Amendment did not have a material impact on the Company's interim 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 is effective for annual periods beginning on or after January 1, 2023.

The above Amendment did not have an effect on the Company's interim consolidated financial statements, but it is expected to affect the disclosures of accounting policies in the Company's annual consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - SEASONALITY OF OPERATIONS

Israel

The Group's leisure hotels in Israel are impacted by a clear trend of seasonality, with the turnover increasing in the months of spring and summer and a large part of Jewish holidays.

The peak season in the Group's business hotels in Israel is during the months of May - June and October – November, and also during periods in which special events take place in areas where the hotels are located.

Europe (including UK and Ireland)

The peak season for the Group's hotels abroad, which are mostly characterized as business hotels, is the months of May – June and September – October and also during periods in which special events take place in areas where the hotels are located.

Mediterranean Basin

The tourist season in the region runs from the beginning of spring and finishes in the autumn. During the rest of the year, most of the leisure hotels in the region are closed.

The financial results should be reviewed taking this seasonality into account.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD
a. Changes in the balance of bonds in the Company and in the investee company during the reporting period:

1. On February 16, 2023, the Company expanded the Bonds (Series B) by way of a private allocation to investors of NIS 150,000 thousand par value in Bonds (Series B) with a par value of NIS 1 each of the Company, listed for trading, for a gross cash consideration of NIS 141,150 thousand (before deducting issuance costs of about NIS 0.3 million), at a price of NIS 0.941 for each par value of NIS 1. The effective interest rate of the expansion is 6.31%.
2. Further to that stated in Note 15(1) to the Financial Statements for the year 2022 in connection with the Convertible Bonds (Series 1) of the Company, during the period of the Report 81,232,150 nominal value of the Bonds (Series 1) were converted into 266,335 ordinary shares of the Company.

Until close to the date of approval of the Financial Statements, 285,444,736 Bonds (Series 1), which constitute about 95% of the total of the Bonds (Series 1) in circulation were converted into 962,346 Ordinary Shares and 873,316 par value were paid in accordance with the terms of the Trust Deed. The rest of the Bonds (Series 1) in circulation (13,681,948 par value) can be converted into Company shares until May 5, 2028 in such a way that every NIS 430 par value of the Bonds can be converted into one Ordinary Share with no par value of the Company.

3. Further to Note 15 of the Company's Consolidated Annual Financial Statements as of December 31, 2022, regarding the downgrade of the Company's Issuer Rating and the rating of the Debentures (Series B and Series C) issued by the Company, and consequently an increase of 0.5% in the annual interest rate, on September 28, 2023, Midroog announced an upgrade of the Company's Issuer Rating and the rating of the Company's Debentures (Series B and C) in circulation from an A3.il rating with an Outlook:Positive to an A2.il rating with an Outlook:Stable. As a result, the annual interest rate will be reduced by 0.5% and will return to the original nominal interest rate as of the date of the rating increase.
4. On May 21, 2023, Fattal Properties (Europe) Ltd. which is 100% owned in final chain of ownership by the Company (hereinafter – "Fattal Properties (Europe)"), carried out an expansion of Bonds (Series C) by way of allocation to the public of 170,000,000 Bonds (Series C) par value NIS 1 each of the Company, listed for trading, at a price of NIS 0.916 for every NIS 1 par value of Bonds and a total of about NIS 155,720 thousand for all the aforementioned Bonds (Series C). The Bonds are in Israel Shekels and bear an annual interest rate of 2.65%, and are not linked (principal and interest) to any linkage base. The effective interest rate of the expansion is 6.73%. After the aforementioned allocations, the total Bonds (Series C) in circulation amount to NIS 614,551,100 par value.
5. On August 15, 2023, Fattal Properties (Europe) issued to the public NIS 196,852 thousand par value of Bonds (Series E) of NIS 1 par value each of Fattal Properties (Europe), listed for trading, for a gross cash consideration of approximately NIS 196,852 thousand (before issuance costs). The Bonds are in Israel Shekels and bear an annual interest rate of 6.37%, and are not linked (principal and interest) to any indexation basis. The effective interest rate of the issuance is 6.68%.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)

The Bonds (Series E) will be repayable in five equal semi-annual payments at a rate of 20% of the principal of the total par value of the Bonds (Series E) on June 30 of each of the years 2027 to 2029 (inclusive) and on December 31 of each of the years 2027 and 2028 (inclusive) starting on June 30, 2027. The first payment of principal will be paid on June 30, 2027 and the last payment of principal will be paid on June 30, 2029.

As part of the issuance, Fattal Properties (Europe) committed to financial standards, as defined in the Trust Deed, which are essentially as follows:

1. The consolidated shareholders' equity will not be less than EUR 220 million.
2. The ratio of capital to the balance sheet will not be less than 23.5%.
3. The ratio of adjusted net financial debt to adjusted NOI, as defined in the Trust Deed, shall not exceed 16.

In addition, in the Trust Deed in respect of the Bonds, the mechanism for adjusting the interest rate is established in accordance with a change in the rating of the Bonds, and in the event of a violation of the following financial standards:

1. The consolidated shareholders' equity will not be less than EUR 245 million.
2. The ratio of capital to the balance sheet will not be less than 28%.
3. The ratio of adjusted net financial debt to adjusted NOI, as defined in the Trust Deed, shall not exceed 15.5.

The dividend distribution limit – Fattal Properties (Europe) undertakes that it will not make a distribution exceeding 50% of the distributable profits and taking into account the definitions and limitations as defined in the Trust Deed.

6. After the balance sheet date, during October 2023, Fattal Properties (Europe) expanded its Debentures (Series D) by way of a private placement of 155,000,000 Debentures (Series D) of the Company with a par value of NIS 1 each, listed for trading, at a price of NIS 0.976 per NIS 1 in Debentures (Series D), totaling approximately NIS 151,280,000 for all the aforementioned Debentures (Series D). The Debentures are in shekels and bear an annual interest rate of 4.99%, and are not linked (principal and interest) to any linkage basis. The effective interest rate inherent in the expansion is 6.62%. After the aforementioned allocations, the total of Debentures (Series D) in circulation amount to NIS 348,750,000.

As part of the issuance of the Debentures (Series D), Fattal Properties (Europe) pledged a number of hotels in Europe. As part of this expansion, the rights of a consolidated company in the Company's hotel in Krakow, Poland, were also pledged.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)

7. After the balance sheet date, during November 2023, Fattal Properties (Europe) carried out an early, final and proactive redemption in full of the Debentures (Series B). On the aforementioned early redemption date, the total Debentures (Series B) in circulation amounted to NIS 118,393,000 par value. The consideration paid to the holders of the Debentures (Series B) was approximately NIS 119,613,253.

As collateral to secure the complete fulfillment of all obligations under the Debentures (Series B), Fattal Properties (Europe) pledged the rights in the Leonardo Royal Hotel in Amsterdam. On the early repayment of Debentures (Series B) as mentioned above and the expiration of the lien accordingly, a financing agreement in the amount of approximately EUR 53 million signed by Fattal Properties (Europe) with a foreign banking corporation came into effect in October 2023 to refinance the hotel for a period of five years.

- b. Further to that stated in Note 9c to the Financial Statements for the year 2022 in connection with investments by Fattal Properties (Europe), in FATTAL EUROPEAN PARTNERSHIP II LP (hereinafter – "the Partnership"), it should be noted that during the first nine months of the year, Fattal Properties (Europe) invested a further EUR 39 million according to its share in calls for money made by the Partnership. As of the date of signing the Report, Fattal Properties (Europe) invested a total of about EUR 75.7 million out of its total commitment (EUR 100 million).

Up to September 30, 2023, the Partnership purchased 19 hotels in Spain, Poland, Cyprus, Austria, Greece, the UK, Germany and Italy at a total cost of about EUR 651 million (December 31, 2022 – EUR 386 million).

Fattal Properties (Europe) is examining the possibility of establishing another Israeli limited partnership (hereinafter – "the new partnership") in the hotel sector together with institutional entities in Israel, which will operate in a format similar to the format in which the venture described above operates. According to the emerging outline, the total scope of investment of the limited partners in the new partnership will amount to approximately EUR 400 to 500 million.

In July, Fattal Properties (Europe) signed an agreement to purchase a 59-room hotel in Paris, France, in accordance with the hotel's value of approximately EUR 31 million. As of the date of signing of the financial statements, an advance payment of approximately EUR 4.8 million was made on account of the aforementioned acquisition (of which approximately EUR 3.2 million was in the reporting period). Completion of the deal is expected at the end of 2023 and Fattal Properties (Europe) is designating the hotel to the new partnership as described above.

On September 29, 2023, a consolidated company (100%) of the Company entered into an agreement with a third party to acquire two Spanish target companies each holding a hotel (total of 142 rooms) in San Sebastian, Spain, at a value of the hotels of EUR 29.4 million. Completion of the transaction is expected during the first quarter of 2024. A deposit of EUR 3 million was transferred to the seller against a bank guarantee in early October 2023.

- c. Further to what was stated in Note 9c to the Consolidated Financial Statements for 2022 regarding the acquisition of 50% of the Company that owns 4 hotels in London (hereinafter – the "Investee Company"), on April 4, 2023 the Company signed an Addendum to the Original Purchase Agreement, according to which 7% of the Partner's share was purchased which constitute an addition of approximately 3.5% of the capital of the Investee Company in exchange for approximately GBP 9 million. After the purchase, the holding percentage of the Company is approximately 53.5%. It should be noted that since the additional shares purchased do not confer voting rights, the Company does not have control over the Investee Company, and thus the investment is managed according to the book value method.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)

- d. During the month of November 2022, an investee company (100% owned indirectly) entered into an agreement to purchase 89.9% of the shares of a company that owns a property in Cologne, Germany, in a Turn Key transaction, in exchange for a total of approximately EUR 42 million. As part of the transaction, the investee company took bank financing in the amount of approximately EUR 27 million at a fixed interest rate of approximately 4.8%. The transaction was completed in June 2023.
- e. During May 2017, an investee company (100% owned indirectly) entered into an agreement to acquire 84.9% of the shares of a company that owns a property in Hamburg, Germany in a Turn Key transaction for a total consideration of EUR 36.6 million. As part of the transaction, the investee company took out bank financing in the amount of approximately EUR 20 million at a fixed interest rate of approximately 4.82%. The transaction was completed in July 2023.

NOTE 5: - FINANCIAL INSTRUMENTS

Fair value:

The table below compares the balance in the books and the fair value of the Company's financial instruments presented in the financial statements, which are not according to their fair value:

	<u>September 30, 2022</u>		<u>December 31, 2022</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	(*)		(*)	
	<u>Unaudited</u>		<u>Audited</u>	
	<u>N I S in thousands</u>		<u>N I S in thousands</u>	
<u>Loans from banking corporations and other liabilities</u>				
Debentures (Level 1 of the fair value hierarchy)	2,600,726	2,455,208	2,737,384	2,540,635
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,652,415</u>	<u>1,577,534</u>	<u>1,522,952</u>	<u>1,425,138</u>
Total	<u>4,253,141</u>	<u>4,032,742</u>	<u>4,260,336</u>	<u>3,965,773</u>

			<u>Convenience translation (note 1e)</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	(*)		(*)	
	<u>September 30, 2023</u>		<u>September 30, 2023</u>	
	<u>Unaudited</u>			
	<u>NIS</u>		<u>Euro</u>	
	<u>(In thousands)</u>		<u>(In thousands)</u>	
<u>Loans from banking corporations and other liabilities</u>				
Debentures (Level 1 of the fair value hierarchy)	2,731,912	2,546,483	674,030	628,280
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,657,122</u>	<u>1,567,319</u>	<u>408,853</u>	<u>386,696</u>
Total	<u>4,389,034</u>	<u>4,113,802</u>	<u>1,082,883</u>	<u>1,014,976</u>

(*) Including interest payable.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- REVENUES FROM HOSPITALITY SERVICES AND OTHERS

	Year ended	Three months ended		Nine months ended		Convenience
	December 31,	September 30,		September 30,		translation
	2022	2022	2023	2022	2023	(Note 1e)
	Audited	Unaudited				Nine months
	NIS in thousands					Ended
						September 30,
						2023
						Unaudited
						Euro
Rooms	4,236,121	1,346,356	1,602,134	3,078,454	4,037,032	996,036
Food and beverages	864,222	245,623	282,143	618,548	778,309	192,028
Other services	345,176	91,858	106,262	240,226	298,288	73,595
Hotel management fees	25,899	11,567	33,584	17,322	43,503	10,733
	<u>5,471,418</u>	<u>1,695,404</u>	<u>2,024,123</u>	<u>3,954,550</u>	<u>5,157,132</u>	<u>1,272,392</u>

NOTE 7: - OPERATING SEGMENTS

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") for making decisions about resources to be allocated and assessing performance. The Group's activity is conducted through three reportable operating segments: in Israel, in Europe (except for the United Kingdom, Ireland and Mediterranean basin) and in the United Kingdom and Ireland. In addition, the Group has investment through subsidiaries in Mediterranean basin and other investment, which do not amount a reportable segment, and, accordingly, is reported as other.

Segment performance is evaluated principally based on revenues and operating income before depreciation and amortization, financing and other expenses (EBITDA), including in respect of hotels owned through associate companies.

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly the Group's headquarter assets, general and administrative costs, finance and taxes on income are managed on a group basis.

The chief operating decision maker continues to examine the operating segments according to the old leases standard, IAS 17. Accordingly, adjustments were added in respect of the new leases standard, IFRS 16.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

b. Reporting on operating segments:

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total	Convenience translation (Note 1e) Total Euro
	NIS								
	(in thousands)								
<u>Nine months ended September 30, 2023</u>									
(unaudited)									
Segment revenues	<u>1,447,207</u>	<u>1,948,929</u>	<u>1,623,598</u>	<u>437,521</u>	<u>(300,123)</u>	<u>5,157,132</u>	<u>-</u>	<u>5,157,132</u>	<u>1,272,392</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>379,826</u>	<u>750,796</u>	<u>571,994</u>	<u>183,443</u>	<u>(83,620)</u>	<u>1,802,439</u>	<u>-</u>	<u>1,802,439</u>	<u>444,706</u>
Operating income before depreciation and amortization and other operating expenses	<u>277,353</u>	<u>384,215</u>	<u>198,010</u>	<u>105,940</u>	<u>(206,390)</u>	<u>759,128</u>	<u>922,483</u>	<u>1,681,611</u>	<u>414,895</u>
Depreciation and amortization	(83,035)	(129,014)	(79,833)	(26,194)	51,662	(266,414)	(571,805)	(838,219)	(206,808)
Other operating expenses, net								(20,225)	(4,990)
Finance expenses, net								(766,182)	(189,036)
Group's share of losses of associate companies and partnerships accounted for at equity								(231)	(58)
Income before taxes on income								56,754	14,003
Taxes on income								(8,192)	(2,022)
Net income								<u>48,562</u>	<u>11,981</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS							
	(In thousands)							
<u>Nine months ended September 30, 2022</u>								
(unaudited)								
Segment revenues	<u>1,328,442</u>	<u>1,290,417</u>	<u>1,286,035</u>	<u>223,879</u>	<u>(174,223)</u>	<u>3,954,550</u>	<u>-</u>	<u>3,954,550</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>373,038</u>	<u>454,575</u>	<u>467,154</u>	<u>112,200</u>	<u>(91,426)</u>	<u>1,315,541</u>	<u>-</u>	<u>1,315,541</u>
Operating income before depreciation and amortization and other operating expenses	<u>284,459</u>	<u>218,651</u>	<u>109,333</u>	<u>54,845</u>	<u>(138,974)</u>	<u>528,314</u>	<u>722,852</u>	<u>1,251,166</u>
Depreciation and amortization	(71,908)	(121,558)	(65,478)	(16,975)	50,185	(225,734)	(486,804)	(712,538)
Other operating income, net								18,379
Finance expenses, net								(675,012)
Group's share of losses of associate companies and partnerships accounted for at equity								<u>(5,948)</u>
Loss before tax benefit								(123,953)
Tax benefit								<u>55,679</u>
Loss for the period								<u>(68,274)</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (Cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	N I S							
	NIS thousands							
<u>Three months ended September 30,</u>								
<u>2023 (unaudited)</u>								
Segment revenues	<u>559,787</u>	<u>743,519</u>	<u>638,574</u>	<u>209,940</u>	<u>(127,697)</u>	<u>2,024,123</u>	<u>-</u>	<u>2,024,123</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>165,692</u>	<u>324,095</u>	<u>249,708</u>	<u>98,016</u>	<u>(41,959)</u>	<u>795,552</u>	<u>-</u>	<u>795,552</u>
Operating income before depreciation and amortization and other operating expenses	<u>130,754</u>	<u>192,901</u>	<u>115,536</u>	<u>64,246</u>	<u>(89,746)</u>	<u>413,691</u>	<u>320,046</u>	<u>733,737</u>
Depreciation and amortization	(28,578)	(47,953)	(31,054)	(9,839)	19,537	(97,887)	(200,526)	(298,413)
Other operating expenses, net								(14,392)
Finance expenses, net								(272,076)
Group's share of earnings of associate companies and partnerships accounted for at equity								<u>14,319</u>
Income before taxes on income								163,175
Taxes on income								<u>(39,220)</u>
Net income								<u>123,955</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (Cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS							
	(In thousands)							
<u>Three months ended September 30, 2022 (unaudited)</u>								
Segment revenues	<u>566,797</u>	<u>570,753</u>	<u>503,547</u>	<u>115,632</u>	<u>(61,325)</u>	<u>1,695,404</u>	<u>-</u>	<u>1,695,404</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>187,991</u>	<u>230,402</u>	<u>210,448</u>	<u>63,081</u>	<u>(33,146)</u>	<u>658,776</u>	<u>-</u>	<u>658,776</u>
Operating income before depreciation and amortization and other operating expenses	<u>155,700</u>	<u>146,808</u>	<u>82,260</u>	<u>37,493</u>	<u>(54,272)</u>	<u>367,989</u>	<u>247,227</u>	<u>615,216</u>
Depreciation and amortization	<u>(25,163)</u>	<u>(35,474)</u>	<u>(23,179)</u>	<u>(5,872)</u>	<u>15,174</u>	<u>(74,514)</u>	<u>(163,880)</u>	<u>(238,394)</u>
Other operating income, net								<u>2,158</u>
Finance expenses, net								<u>(249,797)</u>
Group's share of earnings of associate companies and partnerships accounted for at equity								<u>8,284</u>
Income before taxes on income								<u>137,467</u>
Taxes on income								<u>(41,678)</u>
Net income								<u>95,789</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOTE 7: - OPERATING SEGMENTS (Cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS							
	(In thousands)							
<u>Year ended December 31, 2022</u>								
(audited)								
Segment revenues	<u>1,776,259</u>	<u>1,874,946</u>	<u>1,772,621</u>	<u>387,572</u>	<u>(339,980)</u>	<u>5,471,418</u>	<u>-</u>	<u>5,471,418</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>473,270</u>	<u>684,822</u>	<u>632,821</u>	<u>155,131</u>	<u>(121,034)</u>	<u>1,825,010</u>	<u>-</u>	<u>1,825,010</u>
Operating income before depreciation and amortization and other operating expenses	<u>351,341</u>	<u>346,610</u>	<u>154,059</u>	<u>78,818</u>	<u>(184,905)</u>	<u>745,923</u>	<u>985,764</u>	<u>1,731,687</u>
Depreciation and amortization	(97,231)	(130,808)	(115,318)	(24,225)	33,642	(333,940)	(671,394)	(1,005,334)
Other operating income, net								21,948
Finance expenses, net								(882,817)
Group's share of earnings of associate companies and partnerships accounted for at equity								<u>861</u>
Loss before tax benefit								(133,655)
Tax benefit								<u>55,199</u>
Loss for the period								<u>(78,456)</u>