

FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2024

UNAUDITED

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AUDITORS' REVIEW REPORT TO THE SHAREHODERS 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 March 31, 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the 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 financial information of subsidiaries, whose assets constitute approximately 0.67% of total consolidated assets as of March 31, 2024, and their revenues constitute approximately 4.48% 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 NIS 564,341 thousand as of March 31, 2024 and the Company's share of their losses amounted to NIS 21,691 thousand for the three months period then ended. The condensed interim financial information of these companies were 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 these 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
May 29, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2023 Audited	March 31, 20232024 Unaudited		Convenience translation (Note 1d) March 31, 2024 Unaudited Euro
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	886,045	497,870	748,575	188,127
Securities held for trading	18,220	64,829	26,375	6,628
Trade receivables	293,445	366,568	308,853	77,619
Other accounts receivable	241,553	258,036	246,003	61,824
Income tax receivable	4,920	8,990	800	201
Inventories	24,602	20,619	23,782	5,977
	1,468,785	1,216,912	1,354,388	340,376
Assets held for sale	34,099	-	181,610	45,641
	1,502,884	1,216,912	1,535,998	386,017
NON-CURRENT ASSETS:				
Long-term receivables	47,753	47,899	67,239	16,898
Advance on Fixed Assets	-	20,736	-	-
Loans and Investments in companies and partnerships accounted for at equity	3,055,512	2,475,594	3,207,967	806,204
Property, plant and equipment, net	7,468,279	6,447,404	7,304,679	1,835,762
Property, plant and equipment under construction	453,037	521,911	475,141	119,409
Right-of-use assets, net	12,937,357	12,411,665	13,319,409	3,347,342
Deferred taxes on right-of-use assets	579,063	506,419	594,682	149,451
Deferred taxes	199,041	216,868	227,401	57,149
Intangible assets	369,889	361,802	367,966	92,475
	25,109,931	23,010,298	25,564,484	6,424,690
	26,612,815	24,227,210	27,100,482	6,810,707

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2023 Audited	March 31, 2023 2024 Unaudited		Convenience translation (Note 1d) March 31, 2024 Unaudited Euro
	NIS			
	(In thousands)			
LIABILITIES AND EQUITY				
<u>CURRENT LIABILITIES:</u>				
Short-term credit from banks and others	439,852	450,195	693,663	174,327
Current maturities of liabilities from leases of right-of-use assets	488,970	443,460	504,798	126,862
Current maturities of debentures	536,323	443,713	536,517	134,834
Trade payables	270,289	305,181	268,813	67,556
Income tax payable	31,441	73,337	26,725	6,716
Other accounts payable	996,032	890,014	982,090	246,814
Shareholders	6,529	5,655	6,058	1,522
	2,769,436	2,611,555	3,018,664	758,631
Liabilities from assets held for sale	-	-	44,232	11,116
	2,769,436	2,611,555	3,062,896	769,747
<u>NON-CURRENT LIABILITIES:</u>				
Loans from banks and others	3,388,767	2,930,339	3,134,067	787,632
Debentures, net	2,338,427	2,217,463	2,423,497	609,057
Liabilities from leases of right-of-use assets	14,118,732	13,406,064	14,527,321	3,650,906
Deferred taxes	513,486	387,525	500,106	125,683
Employee benefit liabilities, net	23,446	20,980	25,031	6,291
Other non-current liabilities	97,120	139,452	80,741	20,291
Shareholders	8,883	5,476	8,897	2,236
	20,488,861	19,107,299	20,699,660	5,202,096
<u>Total liabilities</u>	23,258,297	21,718,854	23,762,556	5,971,843
<u>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</u>				
Share capital and premium	1,083,328	1,028,693	1,085,139	272,710
Capital reserves	2,044,529	1,532,864	2,174,630	546,513
Retained earnings (losses)	132,724	(136,510)	(16,269)	(4,089)
	3,260,581	2,425,047	3,243,500	815,134
<u>Non-controlling interests</u>	93,937	83,309	94,426	23,730
<u>Total equity</u>	3,354,518	2,508,356	3,337,926	838,864
	26,612,815	24,227,210	27,100,482	6,810,707

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

May 29, 2024

Date of approval of
the financial statements

Yuval Bronstein
Chairman of the
Board of Directors

David Fattal
Chief Executive Officer
and Director

Shahar Aka
Chief Financial Officer
and Director

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

				Convenience translation (Note 1d)
	Year ended December 31, 2023	Three months ended March 31,		Three months ended March 31,
	Audited	2023	2024	2024
		Unaudited		Unaudited
		N I S		Euro
	(In thousands)			
Revenues from hospitality services and others	6,928,460	1,241,911	1,402,268	352,408
Cost of revenues	3,774,616	790,210	834,867	209,813
	3,153,844	451,701	567,401	142,595
Selling and marketing expenses	133,861	36,953	34,516	8,674
General and administrative expenses	567,533	120,325	134,084	33,697
	2,452,450	294,423	398,801	100,224
Hotel lease expenses	155,738	7,336	13,085	3,288
Operating income before depreciation and amortization and other operating expenses, net	2,296,712	287,087	385,716	96,936
Depreciation and amortization	333,566	71,287	85,282	21,432
Depreciation of revaluation of step-up	38,760	10,964	12,932	3,250
Depreciation on right-of-use assets	776,825	179,869	197,738	49,694
Other operating expenses, net	38,328	2,097	1,600	402
Operating income	1,109,233	22,870	88,164	22,158
Finance income	787	351	856	215
Finance expenses	(314,051)	(75,000)	(70,788)	(17,790)
Financing expenses on liabilities from leases of right- of-use assets	(735,436)	(171,177)	(191,220)	(48,056)
Group's share of losses of companies and partnerships accounted for at equity	(4,663)	(20,229)	(26,071)	(6,552)
Income (loss) before tax benefit (taxes on income)	55,870	(243,185)	(199,059)	(50,025)
Tax benefit (taxes on income)	(10,792)	47,767	37,274	9,367
Income (loss) for the period	45,078	(195,418)	(161,785)	(40,658)
Attributable to:				
Shareholders of the Company	45,185	(195,363)	(162,442)	(40,824)
Non-controlling interests	(107)	(55)	657	166
	45,078	(195,418)	(161,785)	(40,658)
<u>Income (loss) per share attributable to equity holders of the Company: (in NIS)</u>				
Basic income (loss) per share	2.76	(12.06)	(9.93)	(2.50)
Diluted income (loss) per share	2.75	(12.06)	(9.93)	(2.50)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

				Convenience translation (Note 1d)
	Year ended December 31, 2023 Audited	Three months ended March 31, 2023 Unaudited	Three months ended March 31, 2024 Unaudited	Three months ended March 31, 2024 Unaudited
		N I S		Euro
		(In thousands)		
Income (loss) for the period	45,078	(195,418)	(161,785)	(40,658)
Other comprehensive income (loss) (after tax effect):				
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>				
Actuarial income, net	78	-	-	-
Revaluation of properties, net	306,348	15,381	17,011	4,275
Group's share in revaluation of properties in companies and partnerships accounted for at equity	252,982	49,162	130,282	32,742
Total amounts that will not be reclassified subsequently to profit or loss	559,408	64,543	147,293	37,017
<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	(42,477)	(55,058)	14,906	3,746
Foreign currency translation adjustments	163,566	119,527	(17,327)	(4,355)
Total amounts that will be reclassified subsequently to profit or loss	121,089	64,469	(2,421)	(609)
Total other comprehensive income	680,497	129,012	144,872	36,408
Total comprehensive income (loss)	725,575	(66,406)	(16,913)	(4,250)
Attributable to:				
Shareholders of the Company	709,600	(70,804)	(17,726)	(4,455)
Non-controlling interests	15,975	4,398	813	205
	725,575	(66,406)	(16,913)	(4,250)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share Capital and premium	Share- Based Payment	Retained earnings (losses)	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, 2024 (audited)</u>	1,083,328	14,286	132,724	(137,574)	7,518	27,725	2,132,574	3,260,581	93,937	3,354,518
Loss for the period	-	-	(162,442)	-	-	-	-	(162,442)	657	(161,785)
Other comprehensive income (loss)	-	-	-	(21,548)	-	14,906	151,358	144,716	156	144,872
Total comprehensive income (loss)	-	-	(162,442)	(21,548)	-	14,906	151,358	(17,726)	813	(16,913)
Exercise of stock options	1,811	(1,811)	-	-	-	-	-	-	-	-
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(324)	(324)
Vesting option to employees	-	645	-	-	-	-	-	645	-	645
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	13,449	-	-	-	(13,449)	-	-	-
<u>Balance as of March 31, 2024</u>	<u>1,085,139</u>	<u>13,120</u>	<u>(16,269)</u>	<u>(159,122)</u>	<u>7,518</u>	<u>42,631</u>	<u>2,270,483</u>	<u>3,243,500</u>	<u>94,426</u>	<u>3,337,926</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share Capital and premium	Share- Based Payment	Retained earnings (losses)	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 1d) (In thousands)									
<u>Balance as of January 1, 2024 (audited)</u>	272,255	3,590	33,355	(34,574)	1,889	6,968	535,944	819,427	23,608	843,035
Loss for the period	-	-	(40,824)	-	-	-	-	(40,824)	166	(40,658)
Other comprehensive income (loss)	-	-	-	(5,415)	-	3,746	38,038	36,369	39	36,408
Total comprehensive income (loss)	-	-	(40,824)	(5,415)	-	3,746	38,038	(4,455)	205	(4,250)
Exercise of stock options	455	(455)	-	-	-	-	-	-	-	-
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(83)	(83)
Vesting option to employees	-	162	-	-	-	-	-	162	-	162
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	3,380	-	-	-	(3,380)	-	-	-
<u>Balance as of March 31, 2024</u>	<u>272,710</u>	<u>3,297</u>	<u>(4,089)</u>	<u>(39,989)</u>	<u>1,889</u>	<u>10,714</u>	<u>570,602</u>	<u>815,134</u>	<u>23,730</u>	<u>838,864</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share Capital and premium	Share- Based Payment	Retained earnings (losses)	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
Loss for the period	-	-	(195,363)	-	-	-	-	(195,363)	(55)	(195,418)
Other comprehensive income (loss)	-	-	-	143,067	-	(55,058)	36,550	124,559	4,453	129,012
Total comprehensive income (loss)	-	-	(195,363)	143,067	-	(55,058)	36,550	(70,804)	4,398	(66,406)
Exercise of stock options	87	(87)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	13,674	-	-	-	-	-	-	13,674	-	13,674
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(246)	(246)
Vesting option to employees	-	785	-	-	-	-	-	785	-	785
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	11,551	-	-	-	(11,551)	-	-	-
<u>Balance as of March 31, 2023</u>	<u>1,028,693</u>	<u>13,791</u>	<u>(136,510)</u>	<u>(198,350)</u>	<u>7,518</u>	<u>15,144</u>	<u>1,694,761</u>	<u>2,425,047</u>	<u>83,309</u>	<u>2,508,356</u>

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
NIS										
(In thousands)										
Balance as of December 31, 2022	1,014,932	13,093	47,302	(341,417)	7,518	70,202	1,669,762	2,481,392	79,157	2,560,549
Income (loss) for the period	-	-	45,185	-	-	-	-	45,185	(107)	45,078
Other comprehensive income (loss)	-	-	-	203,843	-	(42,477)	503,049	664,415	16,082	680,497
Total comprehensive income (loss)	-	-	45,185	203,843	-	(42,477)	503,049	709,600	15,975	725,575
Issuance of share	1,125	(1,125)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	67,271	-	-	-	-	-	-	67,271	-	67,271
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(1,195)	(1,195)
Vesting option to employees	-	2,318	-	-	-	-	-	2,318	-	2,318
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	40,237	-	-	-	(40,237)	-	-	-
Balance as of December 31, 2023	1,083,328	14,286	132,724	(137,574)	7,518	27,725	2,132,574	3,260,581	93,937	3,354,518

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

				Convenience translation (Note 1d)
	Year ended December 31, 2023	Three months ended March 31,		Three months ended March 31, 2024
	Audited	2023	2024	2024
		Unaudited		Unaudited
		N I S		Euro
		(In thousands)		
<u>Cash flows from operating activities:</u>				
Income (loss) for the period	45,078	(195,418)	(161,785)	(40,658)
Adjustments to reconcile net income to net cash provided by operating activities:				
Adjustments to the profit or loss items:				
Depreciation and amortization	1,149,151	262,120	295,952	74,376
Finance expenses, net	1,040,059	237,447	265,911	66,828
Group's share of losses of companies and partnerships accounted for at equity	4,663	20,229	26,071	6,552
Change in liabilities for time-sharing rights, net	(564)	(134)	(134)	(34)
Change in employee benefit liabilities, net	3,086	751	1,630	410
Taxes on income (Tax benefit)	10,792	(47,767)	(37,274)	(9,367)
Loss (gain) from impairment of investments	6,012	(604)	(1,260)	(317)
Share-based payment expense	2,318	785	645	162
Loss (gain) from a change in the value of securities held for trading	8,237	10,441	(6,262)	(1,573)
	<u>2,223,754</u>	<u>483,268</u>	<u>545,279</u>	<u>137,037</u>
Changes in asset and liability items:				
Decrease (increase) in trade receivables	117,181	40,560	(23,977)	(6,026)
Decrease (increase) in other accounts receivable	3,042	(4,950)	(9,211)	(2,315)
Decrease (increase) in inventories	(3,302)	289	613	154
Decrease (increase) in long-term receivables	38,756	39,028	(11,342)	(2,850)
Increase (decrease) in trade payables	(21,505)	16,498	698	175
Increase (decrease) in other accounts payable	91,674	(29,878)	(15,655)	(3,934)
Increase (decrease) in other non-current liabilities	(81,963)	(21,973)	13,910	3,496
	<u>143,883</u>	<u>39,574</u>	<u>(44,964)</u>	<u>(11,300)</u>
Cash paid during the period for:				
Receiving a dividend from an investee company	4,000	4,000	7,500	1,885
Taxes paid	(115,761)	(10,010)	(11,205)	(2,816)
Interest paid for leases of right-of-use assets	(735,738)	(193,244)	(191,125)	(48,032)
Other interest paid, net	(263,100)	(76,471)	(81,910)	(20,585)
	<u>(1,110,599)</u>	<u>(275,725)</u>	<u>(276,740)</u>	<u>(69,548)</u>
Net cash provided by operating activities	1,302,116	51,699	61,790	15,531

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2023 Audited	Three months ended March 31, 2023 2024 Unaudited		Convenience translation (Note 1d) Three months ended March 31, 2024 Unaudited Euro
		N I S		
		(In thousands)		
<u>Cash flows from investing activities:</u>				
Purchase of property, plant and equipment, net	(471,586)	(72,124)	(23,742)	(5,967)
Current investments in existing assets	(185,811)	(97,900)	(67,426)	(16,945)
Purchase of companies consolidated for the first time (a)	(107,262)	-	-	-
Tax paid for the disposal of fixed assets in the past	(17,912)	-	-	-
Sale and purchase of securities held for trading, net	55,105	6,292	(1,893)	(476)
Loans and Investment in companies and partnerships accounted for at equity, net	(398,731)	(62,704)	(50,807)	(12,768)
Other assets, net	(235)	-	-	-
Change in long-term receivables	-	-	(14,008)	(3,520)
Change in designated deposit, net	41,048	41,967	(129)	(32)
Return on investment (investment) in various companies, net	1,709	2,981	(4,950)	(1,244)
Net cash used in investing activities	(1,083,675)	(181,488)	(162,955)	(40,952)
<u>Cash flows from financing activities:</u>				
Short-term credit from banking corporations, net	16,548	(9,258)	112,345	28,233
Receipt of long-term loans from banking corporations and others	636,581	162,313	50,000	12,566
Repayment of long-term loans from banking corporations and others	(553,272)	(249,389)	(124,935)	(31,398)
Issue of debentures, net	812,712	140,945	208,675	52,443
Repayment of debentures	(582,142)	(159,258)	(129,467)	(32,537)
Repayment of liabilities from leases of right-of-use assets	(515,973)	(105,236)	(148,729)	(37,379)
Net cash used in financing activities	(185,546)	(219,883)	(32,111)	(8,072)
<u>Translation differences in respect of balances of cash and cash equivalents</u>	23,507	17,899	(4,088)	(1,027)
<u>Increase (decrease) in cash and cash equivalents</u>	56,402	(331,773)	(137,364)	(34,521)
Cash included in assets held for sale	-	-	(106)	(27)
<u>Cash and cash equivalents at beginning of period</u>	829,643	829,643	886,045	222,675
<u>Cash and cash equivalents at end of period</u>	886,045	497,870	748,575	188,127
<u>Material non-cash activity:</u>				
Purchase of properties, plant and equipment	3,500	-	5,134	1,290
Sale of an investment in an investee company	-	6,805	-	-
Recognition of the right-of-use assets against lease liabilities	540,515	36,025	104,934	26,371
Updates in right-of-use assets in respect of linkages to the CPI index	501,861	192,718	452,419	113,699
Conversion of convertible bonds into shares	67,271	13,674	-	-

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

				Convenience translation (Note 1d)
	Year ended December 31, 2023	Three months ended March 31,		Three months ended March 31, 2024
	Audited	2023	2024	2024
		Unaudited		Unaudited
		NIS		Euro
		(In thousands)		
(a) <u>Acquisition of initially consolidated subsidiaries:</u>				
The subsidiaries' assets and liabilities at date of acquisition:				
Current assets	(3,671)	-	-	-
Non-current assets	(292,143)	-	-	-
Current liabilities	-	-	-	-
Non-current liabilities	188,552	-	-	-
	(107,262)	-	-	-

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, 2024 and for the three months periods then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2023 and for the year then ended and accompanying notes ("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 282 hotels throughout Israel and Europe, comprising about 50,000 hotel rooms, including 67 hotels in Israel, 199 hotels throughout Europe (excluding Cyprus and Greece) and 16 hotels in Cyprus and Greece. For further details regarding operating segments, see Note 7.
- c. Further to that stated in Note 1C in the Consolidated Annual Financial Statements as of December 31, 2023 in connection with "Swords of Iron" war which began on October 7th, 2023 and its influence on the company, it should be noted that during the period of the report, the war had no material impact on the Company's results.
- d. It should be noted that, as of March 31, 2024 the Company had a consolidated working capital deficit of about NIS 1,526 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.
 - The Company has a positive cash flow from current operations, which is even expected to increase during the year due to the effect of seasonality on the Company's operations as detailed in Note 3.
 - Obtaining financing for properties that were not financed (a total of approximately NIS 310 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 is in advanced talks with a banking corporation to refinance a loan totaling NIS 190 million.

According to the Company's Management and the Board of Directors, the Company will meet its obligations in the foreseeable future.

- e. The financial statements as of March 31, 2024 and for the three months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 3.9791). 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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2- : ACCOUNTING POLICIES

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

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

b. Initial adoption of amendments to existing financial reporting and accounting standards:

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

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

According to the Subsequent Amendment:

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

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2-: ACCOUNTING POLICIES (Cont.)

2. Amendment to IFRS 16, "Leases":

In September 2022, the IASB issued an amendment to IFRS 16, "Leases" ("the Amendment"), which provides guidance on how a seller-lessee should measure the lease liability arising in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The Amendment requires the seller-lessee to choose between two approaches for measuring the lease liability on the inception date of the lease. The approach chosen becomes the accounting policy that must be applied consistently.

The Amendment is applied retrospectively for annual periods beginning on January 1, 2024.

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

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

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

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

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

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

c. Disclosure of new standards prior to their adoption:IFRS 18, "Presentation and Disclosure in Financial Statements":

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

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

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2- : ACCOUNTING POLICIES (Cont.)

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

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

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

NOTE 3: - 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.

The Group's hotels located in major cities as well as vacation resorts are affected by the seasonality factor, especially in the first quarter of each year, when there is less tourism.

Mediterranean Basin

Most of the Company's resort hotels operate during the tourist season that begins in spring and ends in autumn. Hotels in the main cities operate all year round and are affected by the seasonality factor, especially in the first quarter of each year, when there is less tourism.

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. Transactions completed during and after the reporting period:

Location of property	Transaction date	Transaction type	No. of rooms	Percentage holding	Property cost annual rent	Expected date of opening / Lease period
Esslingen, Germany	January, 2024	Leased	151	100%	About € 1.1 million	Operated since acquisition date
Brno, Czech	March, 2024	Leased	165	100%	About € 1.5 million	2028
Bad Gastein, Austria	May, 2024	Leased	110	100%	About € 1.2 million	2026

- b. In March 2017, a transaction was signed and was not completed due to technical and bureaucratic issues, in the framework of which it was agreed that Fattal Hotels Ltd., an investee company held (100% holding) by the Company (hereinafter: "Fattal Hotels"), will acquire the full rights in Leonardo Plaza Hotel Eilat (50% current holding). This transaction will be completed in the coming weeks.

In addition, the sale will be completed of Fattal Hotels' share in the shares of a subsidiary that owns Leonardo Beach Tel Aviv Hotel to a partner in the Company. As of the date of the report, the assets and liabilities in respect of the hotel being sold were classified as held for sale.

- c. On February 7, 2024, the Company issued to the public NIS 210,343,000 par value in Bonds (Series E) of NIS 1 par value each of the Company, listed for trading, for gross consideration of NIS 210,343,000 (before deducting issuance costs of approximately NIS 2 million). The Bonds are not CPI-linked and bear an annual interest rate of 6.33%. The above series is repayable in 12 semi-annual installments on February 28 and August 31 of each of the years 2027 to 2032 (inclusive) commencing February 28, 2027, such that each of the first ten installments will constitute 8% of the principal of the total par value of the Bonds, and each of the last two installments will constitute 10% of the principal of the total par value of the Bonds. As part of the offering, the Company committed to financial covenants, whose main points are as follows:

1. The ratio of adjusted net financial debt to adjusted EBITDA, as defined in the Trust Deed, shall not exceed 9.
2. The Company's shareholders' equity will not be less than NIS 2,100 million.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- d. Further to that stated in Note 9B in the Consolidated Annual Financial Statements as of December 31, 2023 in connection with investments by Fattal Properties (Europe) Ltd., which is 100% owned in in final chain of ownership by the Company (hereinafter - "Fattal Properties (Europe)"), in FATTAL EUROPEAN PARTNERSHIP II LP (hereinafter - the Partnership), it should be noted that during the first quarter, Fattal Properties (Europe) invested a further EUR 4 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 84 million out of its total commitment (EUR 100 million).

Up to March 31, 2024, 19 hotels were purchased in Poland, Cyprus, Austria, Greece, UK, Germany, Spain and Italy at a total cost of about EUR 651 million.

- e. In January 2024, Fattal Properties (Europe) completed the establishment of another Israeli limited partnership – Fattal Partnership III (INTERNATIONAL) LP (hereinafter - Partnership III) in the hotel sector together with institutional bodies in Israel, which will operate in a format similar to the format in which the partnership described in Section D above operates. According to the Company's assessment, the total investment of the Limited Partners in the additional partnership will amount to approximately EUR 400 million. As of the date of publication of the Financial Statements, investment commitments have been received totaling approximately EUR 296 million (the share of Fattal Properties (Europe) is EUR 100 million). Partnership III is working to recruit additional investors.

As of the date of publication of the Financial Statements, agreements were signed for purchasing 7 hotels in France, Spain, Italy, Germany and Ireland in a total value of approximately EUR 226 million (two transactions in Germany and Ireland are not yet completed as of the signing date of the financial statements).

During the first quarter Fattal Properties (Europe) invested approximately EUR 23 million as per its share of calls for money made by the Partnership, out of which a total of approximately EUR 20 million were transferred back (net, offsetting the investment in the call for money) and that is for the amount Fattal Properties (Europe) paid for the hotels that were designate for Partnership III during the time of its establishment.

As of the date of signing the Report, Fattal Properties (Europe) invested a total of about EUR 39 million out of its total commitment (EUR 100 million).

- f. Further to Note 9a in the Consolidated Annual Financial Statements as of December 31, 2023 in connection with the acquisition of shares of a company holding four hotels in London, during the reporting period the investee company made a classification change for investee hotels from inventory to investment real estate. Following the change, the assets were valued according to their fair value. The Company's share in the revaluation is about GBP 25 million (about NIS 117 million).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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>March 31, 2023</u>		<u>December 31, 2023</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</u>			
<u>Loans from banking corporations and other liabilities</u>	<u>(In thousands)</u>			
Debentures (Level 1 of the fair value hierarchy)	2,683,169	2,491,333	2,897,835	2,806,316
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,590,527</u>	<u>1,452,787</u>	<u>1,868,730</u>	<u>1,815,224</u>
Total	<u>4,273,696</u>	<u>3,944,120</u>	<u>4,766,565</u>	<u>4,621,540</u>

			<u>Convenience translation into Euro (note 1d)</u>	
	<u>Book value(*)</u>	<u>Fair value</u>	<u>Book value(*)</u>	<u>Fair value</u>
	<u>March 31, 2024</u>		<u>March 31, 2024</u>	
	<u>Unaudited</u>			
	<u>NIS</u>		<u>Euro</u>	
<u>Loans from banking corporations and other liabilities</u>	<u>(In thousands)</u>		<u>(In thousands)</u>	
Debentures (Level 1 of the fair value hierarchy)	2,982,297	2,925,073	749,490	735,109
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,776,372</u>	<u>1,750,475</u>	<u>446,426</u>	<u>439,917</u>
Total	<u>4,758,669</u>	<u>4,675,548</u>	<u>1,195,916</u>	<u>1,175,026</u>

(*) Including interest payable.

NOTE 6:- REVENUES FROM HOSPITALITY SERVICES AND OTHERS

				Convenience translation (Note 1d)
	Year ended December 31, 2023	Three months ended March 31, 2023	Three months ended March 31, 2024	Three months ended March 31, 2024
		NIS		Euro
		(In thousands)		
Rooms	5,352,594	941,439	1,042,135	261,903
Food and beverages	1,148,780	210,855	276,740	69,548
Other services	378,715	87,537	76,158	19,139
Hotel management fees	48,371	2,080	7,235	1,818
	6,928,460	1,241,911	1,402,268	352,408

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTSa. 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:

									Convenience translation (Note 1d)
	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (No adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total	Total
	NIS								Euro
	(In thousands)								
Three months ended March 31, 2024 (unaudited):									
Segment revenues	384,448	529,559	464,850	107,514	(84,103)	1,402,268	-	1,402,268	352,408
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	132,740	129,823	117,686	28,682	(10,130)	398,801	-	398,801	100,224
Operating income (loss) before depreciation and amortization and other operating expenses	97,763	11,518	(5,248)	5,401	(63,573)	45,861	339,855	385,716	96,936
Depreciation and amortization	(28,076)	(51,011)	(27,034)	(12,675)	20,582	(98,214)	(197,738)	(295,952)	(74,376)
Other operating expenses, net								(1,600)	(402)
Finance expenses, net								(261,152)	(65,631)
Group's share of losses of associate companies and partnerships accounted for at equity								(26,071)	(6,552)
Loss before tax benefit								(199,059)	(50,025)
Tax benefit								37,274	9,367
Loss for the period								(161,785)	(40,658)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (No adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS							
	(In thousands)							
Three months ended March 31, 2023								
(unaudited):								
Segment revenues	<u>356,351</u>	<u>468,652</u>	<u>400,117</u>	<u>79,375</u>	<u>(62,584)</u>	<u>1,241,911</u>	<u>-</u>	<u>1,241,911</u>
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	<u>51,659</u>	<u>119,559</u>	<u>106,719</u>	<u>23,745</u>	<u>(7,259)</u>	<u>294,423</u>	<u>-</u>	<u>294,423</u>
Operating income (loss) before depreciation and amortization and other operating expenses	<u>15,695</u>	<u>13,564</u>	<u>1,775</u>	<u>5,860</u>	<u>(44,874)</u>	<u>(7,980)</u>	<u>295,067</u>	<u>287,087</u>
Depreciation and amortization	(26,955)	(41,420)	(23,145)	(7,664)	16,933	(82,251)	(179,869)	(262,120)
Other operating expenses, net								(2,097)
Finance expenses, net								(245,826)
Group's share of losses of associate companies and partnerships accounted for at equity								(20,229)
Loss before tax benefit								(243,185)
Tax benefit								47,767
Loss for the period								(195,418)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

	Year ended December 31, 2023							
	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)							
Segment revenues	<u>1,914,273</u>	<u>2,636,303</u>	<u>2,217,371</u>	<u>571,124</u>	<u>(410,611)</u>	<u>6,928,460</u>	<u>-</u>	<u>6,928,460</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>551,836</u>	<u>1,004,708</u>	<u>774,439</u>	<u>228,624</u>	<u>(107,157)</u>	<u>2,452,450</u>	<u>-</u>	<u>2,452,450</u>
Operating income before depreciation and amortization and other operating expenses	<u>414,333</u>	<u>517,379</u>	<u>264,025</u>	<u>125,143</u>	<u>(275,880)</u>	<u>1,045,000</u>	<u>1,251,712</u>	<u>2,296,712</u>
Depreciation and amortization	(112,121)	(182,981)	(112,756)	(39,266)	74,798	(372,326)	(776,825)	(1,149,151)
Other expenses, net								(38,328)
Finance expenses, net								(1,048,700)
Group's share of losses of associate companies and partnerships accounted for at equity								<u>(4,663)</u>
Income before taxes on income								55,870
Taxes on income								<u>(10,792)</u>
Net income								45,078