

FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2024

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, 2024 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 0.77% of total consolidated assets as of September 30, 2024, and whose revenues included in consolidation constitute approximately 4.61% and 6.17% of total consolidated revenues for the nine and three months periods then ended, respectively. 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 572,634 thousand as of September 30, 2024 and the Company's share of their losses amounted to approximately NIS 67,271 thousand and NIS 40,089 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 26, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

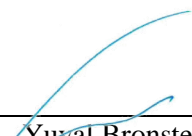


	December 31, 2023 Audited	September 30,		Convenience translation (Note 1e)
		2023 Unaudited NIS	2024 Unaudited	September 30, 2024 Unaudited Euro
(In thousands)				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	886,045	383,648	882,591	212,552
Securities held for trading	18,220	22,241	43,134	10,388
Trade receivables	293,445	548,607	562,519	135,468
Other accounts receivable	241,553	227,886	279,516	67,314
Income tax receivable	4,920	5,601	1,367	329
Inventories	24,602	26,363	27,827	6,701
	1,468,785	1,214,346	1,796,954	432,752
Assets held for sale	34,099	-	-	-
	1,502,884	1,214,346	1,796,954	432,752
NON-CURRENT ASSETS:				
Long-term receivables	47,753	57,267	65,741	15,832
Advance on fixed assets	-	13,038	17,452	4,203
Loans and investments in companies and partnerships accounted for at equity	3,055,512	2,827,590	3,292,096	792,818
Property, plant and equipment, net	7,468,279	7,299,576	9,766,328	2,351,972
Property, plant and equipment under construction	453,037	477,109	552,746	133,115
Right-of-use assets, net	12,937,357	13,129,799	13,755,406	3,312,640
Deferred taxes on right-of-use assets	579,063	565,127	641,445	154,476
Deferred taxes	199,041	201,401	205,073	49,387
Intangible assets	369,889	373,680	413,563	99,596
	25,109,931	24,944,587	28,709,850	6,914,039
	26,612,815	26,158,933	30,506,804	7,346,791

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	September 30,		Convenience translation (Note 1e)
	2023	2023	2024	September 30, 2024
	Audited	Unaudited		Unaudited
	NIS			Euro
	(In thousands)			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	439,852	489,479	850,725	204,875
Current maturities of liabilities from leases of right-of-use assets	488,970	495,204	491,182	118,289
Current maturities of debentures	536,323	498,029	538,997	129,804
Trade payables	270,289	317,707	323,141	77,820
Income tax payable	31,441	58,846	63,071	15,189
Other accounts payable	996,032	1,001,810	1,074,042	258,656
Shareholders	6,529	8,309	2,106	507
	<u>2,769,436</u>	<u>2,869,384</u>	<u>3,343,264</u>	<u>805,140</u>
NON-CURRENT LIABILITIES:				
Loans from banks and others	3,388,767	3,057,898	4,442,113	1,069,770
Debentures, net	2,338,427	2,209,481	2,349,045	565,708
Liabilities from leases of right-of-use assets	14,118,732	14,263,635	15,073,286	3,630,018
Deferred taxes	513,486	480,079	849,552	204,593
Employee benefit liabilities, net	23,446	22,937	27,541	6,633
Other non-current liabilities	97,120	121,890	167,211	40,268
Shareholders	8,883	8,889	8,059	1,941
	<u>20,488,861</u>	<u>20,164,809</u>	<u>22,916,807</u>	<u>5,518,931</u>
Total liabilities	<u>23,258,297</u>	<u>23,034,193</u>	<u>26,260,071</u>	<u>6,324,071</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	1,083,328	1,082,392	1,085,580	261,434
Capital reserves	2,044,529	1,821,367	2,260,824	544,465
Retained earnings (deficit)	132,724	126,168	844,826	203,454
	<u>3,260,581</u>	<u>3,029,927</u>	<u>4,191,230</u>	<u>1,009,353</u>
Non-controlling interests	93,937	94,813	55,503	13,367
Total equity	<u>3,354,518</u>	<u>3,124,740</u>	<u>4,246,733</u>	<u>1,022,720</u>
	<u><u>26,612,815</u></u>	<u><u>26,158,933</u></u>	<u><u>30,506,804</u></u>	<u><u>7,346,791</u></u>

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

November 26, 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

	Year ended December 31, 2023		Three months ended September 30, 2023		Three months ended September 30, 2024		Nine months ended September 30, 2023		Nine months ended September 30, 2024		Convenience translation (Note 1e)
	Audited		Unaudited		Unaudited		Unaudited		Unaudited		Nine months ended September 30, 2024
			N I S								Euro
	(In thousands)										
Revenues from hospitality services and others	6,928,460	2,024,123	2,198,505	5,157,132	5,587,598						1,345,631
Cost of revenues	3,774,616	1,040,254	1,113,158	2,828,941	2,947,345						709,793
	3,153,844	983,869	1,085,347	2,328,191	2,640,253						635,838
Selling and marketing expenses	133,861	24,980	44,289	105,306	112,489						27,090
General and administrative expenses	567,533	163,337	158,265	420,446	445,019						107,172
	2,452,450	795,552	882,793	1,802,439	2,082,745						501,576
Hotel lease expenses	155,738	61,815	69,589	120,828	105,522						25,412
Operating income before depreciation and amortization and other operating income, net	2,296,712	733,737	813,204	1,681,611	1,977,223						476,164
Depreciation and amortization	333,566	89,208	106,093	237,810	282,539						68,042
Depreciation of revaluation of step-up	38,760	8,679	10,881	28,604	35,897						8,645
Depreciation on right-of-use assets	776,825	200,526	202,138	571,805	606,077						145,958
Other operating (income) expenses, net	38,328	14,392	(242,665)	20,225	(240,966)						(58,031)
Operating income	1,109,233	420,932	736,757	823,167	1,293,676						311,550
Finance income	787	22	3,449	777	5,058						1,218
Finance expenses	(314,051)	(83,829)	(112,497)	(225,081)	(276,572)						(66,605)
Financing expenses on liabilities from leases of right-of-use assets	(735,436)	(188,269)	(202,068)	(541,878)	(595,410)						(143,389)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	(4,663)	14,319	(28,982)	(231)	(69,078)						(16,636)
Income before tax benefit	55,870	163,175	396,659	56,754	357,674						86,138
Taxes on income	(10,792)	(39,220)	(50,947)	(8,192)	(48,719)						(11,732)
Net income	45,078	123,955	345,712	48,562	308,955						74,406
Attributable to:											
Shareholders of the Company	45,185	123,696	345,660	48,069	308,006						74,176
Non-controlling interests	(107)	259	52	493	949						230
	45,078	123,955	345,712	48,562	308,955						74,406
Net earnings per share attributed to equity holders of the Company: (in NIS)											
Basic net earnings per share	2.76	3.83	21.06	2.94	18.74						4.51
Diluted net earnings per share	2.75	3.82	20.93	2.93	18.65						4.49

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2023	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1e)
		2023	2024	2023	2024	Nine months ended September 30, 2024
	Audited	Unaudited				Unaudited
		NIS				Euro
	(In thousands)					
Net income	45,078	123,955	345,712	48,562	308,955	74,406
Other comprehensive income (after tax effect):						
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>						
Actuarial income, net	78	-	-	-	-	-
Revaluation of properties, net Group's share in revaluation of properties in companies and partnerships accounted for at equity	306,348	117,160	104,552	176,942	260,268	62,679
	252,982	73,759	115,015	142,295	286,382	68,968
Total amounts that will not be reclassified subsequently to profit or loss	559,408	190,919	219,567	319,237	546,650	131,647
<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)	13,639	(21,294)	(53,336)	(23,129)	(5,570)
Foreign currency translation adjustments	163,566	(5,085)	89,322	177,946	100,746	24,262
Total amounts that will be classified or reclassified subsequently to profit or loss under specific conditions	121,089	8,554	68,028	124,610	77,617	18,692
Total other comprehensive income	680,497	199,473	287,595	443,847	624,267	150,339
Total comprehensive income	<u>725,575</u>	<u>323,428</u>	<u>633,307</u>	<u>492,409</u>	<u>933,222</u>	<u>224,745</u>
Attributable to:						
Shareholders of the Company	709,600	315,943	631,412	479,126	928,757	223,669
Non-controlling interests	15,975	7,485	1,895	13,283	4,465	1,076
	<u>725,575</u>	<u>323,428</u>	<u>633,307</u>	<u>492,409</u>	<u>933,222</u>	<u>224,745</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									
	NIS									
	(In thousands)									
<u>Balance as of January 1, 2024</u> (audited)	1,083,328	14,286	132,724	(137,574)	7,518	27,725	2,132,574	3,260,581	93,937	3,354,518
Net income	-	-	308,006	-	-	-	-	308,006	949	308,955
Comprehensive income (loss)	-	-	-	137,851	-	(23,129)	506,029	620,751	3,516	624,267
Total comprehensive income (loss)	-	-	308,006	137,851	-	(23,129)	506,029	928,757	4,465	933,222
Exercise of stock options	2,252	(2,252)	-	-	-	-	-	-	-	-
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(2,184)	(2,184)
Vesting option to employees	-	1,892	-	-	-	-	-	1,892	-	1,892
Exercise of stock of an investee company	-	-	-	-	-	-	-	-	(40,715)	(40,715)
Transfer from revaluation in respect of sale, net	-	-	368,302	-	-	-	(368,302)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	35,794	-	-	-	(35,794)	-	-	-
<u>Balance as of September 30, 2024</u>	<u>1,085,580</u>	<u>13,926</u>	<u>844,826</u>	<u>277</u>	<u>7,518</u>	<u>4,596</u>	<u>2,234,507</u>	<u>4,191,230</u>	<u>55,503</u>	<u>4,246,733</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, 2024 (audited)</u>	260,892	3,440	31,963	(33,131)	1,811	6,677	513,576	785,228	22,622	807,850
Net income	-	-	74,176	-	-	-	-	74,176	230	74,406
Comprehensive income (loss)	-	-	-	33,199	-	(5,569)	121,863	149,493	846	150,339
Total comprehensive income (loss)	-	-	74,176	33,199	-	(5,569)	121,863	223,669	1,076	224,745
Exercise of stock options	542	(542)	-	-	-	-	-	-	-	-
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(526)	(526)
Vesting option to employees	-	456	-	-	-	-	-	456	-	456
Exercise of stock of an investee company	-	-	-	-	-	-	-	-	(9,805)	(9,085)
Transfer from revaluation in respect of sale, net	-	-	88,695	-	-	-	(88,695)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	8,620	-	-	-	(8,620)	-	-	-
<u>Balance as of September 30, 2024</u>	<u>261,434</u>	<u>3,354</u>	<u>203,454</u>	<u>68</u>	<u>1,811</u>	<u>1,108</u>	<u>538,124</u>	<u>1,009,353</u>	<u>13,367</u>	<u>1,022,720</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									
	NIS									
	(In thousands)									
<u>Balance as of January 1, 2023</u> (audited)	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									
	NIS									
	(In thousands)									
<u>Balance as of July 1, 2024</u>	1,085,468	13,420	146,369	(119,448)	7,518	25,890	2,399,983	2,559,200	55,206	3,614,406
Net income	-	-	345,660	-	-	-	-	345,660	52	345,712
Comprehensive income (loss)	-	-	-	119,725	-	(21,294)	187,321	285,752	1,843	287,595
Total comprehensive income (loss)	-	-	345,660	119,725	-	(21,294)	187,321	631,412	1,895	633,307
Exercise of stock options	112	(112)	-	-	-	-	-	-	-	-
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(1,598)	(1,598)
Vesting option to employees	-	618	-	-	-	-	-	618	-	618
Transfer from revaluation in respect of sale, net	-	-	342,929	-	-	-	(342,929)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	9,868	-	-	-	(9,868)	-	-	-
<u>Balance as of September 30, 2024</u>	<u>1,085,580</u>	<u>13,926</u>	<u>844,826</u>	<u>277</u>	<u>7,518</u>	<u>4,596</u>	<u>2,234,507</u>	<u>4,191,230</u>	<u>55,503</u>	<u>4,246,733</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									
	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

	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
	Audited									
	NIS									
	(In thousands)									
Balance as of January 1, 2023	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
Exercise of stock options	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

	Year ended December 31, 2023	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1e)
		2023	2024	2023	2024	Nine months ended September 30,
						2024
		Audited	Unaudited			
	N I S					Euro
(In thousands)						
<u>Cash flows from operating activities:</u>						
Net income (loss)	45,078	123,955	345,712	48,562	308,955	74,406
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	298,413	319,112	838,219	924,513	222,645
Finance expenses, net	1,040,059	263,435	324,549	757,504	889,575	214,234
Group's share of losses (income) of companies and partnerships accounted for at equity	4,663	(14,319)	28,982	231	69,078	16,636
Change in liabilities for time-sharing rights, net	(564)	(144)	(471)	(425)	(654)	(157)
Change in employee benefit liabilities, net	3,086	953	851	2,658	3,011	725
Taxes on income (Tax benefit)	10,792	39,220	50,947	8,192	48,719	11,732
Loss (gain) from impairment of property, plant and equipment and investments	6,012	7,652	(161)	7,286	(2,336)	(563)
Share-based payment to employees expense	2,318	671	618	2,138	1,892	456
Gain from obtaining control of an investee	-	-	(266,045)	-	(266,045)	(64,070)
Loss (gain) from a change in the value of securities held for trading	8,237	(1,101)	(1,097)	4,565	(5,116)	(1,231)
	<u>2,223,754</u>	<u>594,780</u>	<u>457,285</u>	<u>1,620,368</u>	<u>1,662,637</u>	<u>400,407</u>
Changes in asset and liability items:						
Decrease (increase) in trade receivables	117,181	(43,980)	(154,024)	(134,045)	(244,362)	(58,848)
Decrease (increase) in other accounts receivable	3,042	6,428	(36,993)	32,555	(56,618)	(13,635)
Increase in inventories	(3,302)	(2,895)	(183)	(4,780)	(1,474)	(355)
Decrease (increase) in long-term receivables	38,756	(7,416)	9,093	52,129	4,482	1,079
Increase (decrease) in trade payables	(21,505)	5,577	(40,014)	24,653	40,726	9,808
Increase (decrease) in other accounts payable	91,674	60,913	118,514	101,269	(8,098)	(1,950)
Increase (decrease) in other non-current liabilities	(81,963)	(12,497)	(6,998)	(88,587)	(5,098)	(1,228)
	<u>143,883</u>	<u>6,130</u>	<u>(110,605)</u>	<u>(16,806)</u>	<u>(270,442)</u>	<u>(65,129)</u>
Cash received (paid) during the period for:						
Receipt of dividend from an investee company	4,000	-	-	4,000	7,500	1,806
Taxes paid	(115,761)	(33,218)	(24,925)	(86,040)	(66,799)	(16,087)
Interest paid for leases of right-of-use assets	(735,738)	(188,580)	(203,751)	(541,164)	(596,639)	(143,685)
Other interest paid, net	(263,100)	(69,775)	(88,796)	(195,011)	(238,331)	(57,396)
	<u>(1,110,599)</u>	<u>(291,573)</u>	<u>(317,472)</u>	<u>(818,215)</u>	<u>(894,269)</u>	<u>(215,362)</u>
Net cash provided by operating activities	<u>1,302,116</u>	<u>433,292</u>	<u>374,920</u>	<u>833,909</u>	<u>806,881</u>	<u>194,322</u>

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 September 30,		Nine months ended September 30,		Convenience translation (Note 1e)	
		2023	2024	2023	2024	Nine months ended September 30, 2024	
		NIS					Unaudited
							Euro
(In thousands)							
<u>Cash flows from investing activities:</u>							
Proceeds from sale of property, plant and equipment	-	-	32,906	-	32,906	7,925	
Purchase of fixed assets	(338,487)	(117,181)	(83,657)	(260,256)	(130,866)	(31,516)	
Advance of investment in fixed assets	-	(12,387)	(17,453)	(12,479)	(17,453)	(4,203)	
Current investments in existing assets	(318,910)	(64,378)	(85,187)	(245,203)	(260,324)	(62,692)	
Acquisition of initially consolidated subsidiaries (a)	(107,262)	(48,669)	(437,479)	(107,262)	(437,479)	(105,356)	
Exit from consolidation (b)	-	-	58,626	-	58,626	14,119	
Tax paid for the disposal of fixed assets in the past	(17,912)	-	(5,660)	-	(5,660)	(1,363)	
Other assets, net	(235)	-	-	-	-	-	
Sale and purchase of securities held for trading, net	55,105	28,664	(17,942)	54,756	(19,798)	(4,768)	
Loans and investment in companies and partnerships accounted for at equity, net	(398,731)	(60,866)	(423,811)	(270,553)	(560,937)	(135,088)	
Change in designated deposit, net	41,048	(4,518)	(39)	38,444	(218)	(52)	
Change in accounts receivable	-	-	(642)	-	(16,328)	(3,932)	
Return on investment (investment) in various companies, net	1,709	(1,114)	4,822	4,008	(12,999)	(3,130)	
Net cash used in investing activities	(1,083,675)	(280,449)	(975,516)	(798,545)	(1,370,530)	(330,056)	
<u>Cash flows from financing activities:</u>							
Short-term credit from banking corporations, net	16,548	9,202	(89,691)	8,603	212,710	51,226	
Issue of commercial securities, net	-	-	99,634	-	99,634	23,994	
Receipt of long-term loans from banking corporations and others	636,581	6,473	886,490	211,563	999,827	240,783	
Repayment of long-term loans from corporations and others	(553,272)	(82,054)	(98,112)	(427,304)	(303,748)	(73,150)	
Issue of debentures, net	812,712	195,485	222,614	491,340	431,289	103,865	
Repayment of debentures	(582,142)	(198,142)	(231,846)	(420,931)	(449,487)	(108,249)	
Repayment of liabilities from leases of right-of-use assets	(515,973)	(131,468)	(138,706)	(381,320)	(439,459)	(105,833)	
Net cash used in financing activities	(185,546)	(200,504)	650,383	(518,049)	550,766	132,636	
Translation differences in respect of balances of cash and cash equivalents	23,507	5,391	9,561	36,690	9,429	2,271	
Increase (decrease) in cash and cash equivalents	56,402	(42,270)	59,348	(445,995)	(3,454)	(827)	
Cash and cash equivalents at beginning of period	829,643	425,918	823,243	829,643	886,045	213,379	
Cash and cash equivalents at end of period	886,045	383,648	882,591	383,648	882,591	212,552	

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
	2023	2023	2024	2023	2024	(Note 1e)
	Audited	Unaudited				Nine months
	N I S					ended
	(In thousands)					September 30,
						2024
						Unaudited
						Euro
<u>Material non-cash activity:</u>						
Purchase of properties, plant and equipment	3,500	-	-	-	173,438	41,768
Recognition of the right-of-use assets against lease liabilities	540,515	106,707	424,420	179,169	530,434	127,742
Updates in right-of-use assets in respect of linkages to the CPI index	501,861	-	49,914	-	566,080	136,326
Conversion of convertible bonds into shares	67,271	-	-	67,271	-	-
(a) <u>Acquisition of initially consolidated subsidiaries:</u>						
The subsidiaries' assets and liabilities at date of acquisition:						
Current assets	(3,671)	-	(167,399)	(3,671)	(167,399)	(40,314)
Non-current assets	(292,143)	(131,466)	(1,828,795)	(292,143)	(1,828,795)	(440,419)
Current liabilities	-	-	139,089	-	139,089	33,496
Long-term liabilities	-	82,580	704,056	185,323	704,056	169,554
Profit from the settlement of previous relationships	-	-	239,060	-	239,060	57,572
Disposal of an investment in a company accounted for using the equity method	-	-	476,510	-	476,510	114,755
Non-controlling interests	188,552	217	-	3,229	-	-
	(107,262)	(48,669)	(437,479)	(107,262)	(437,479)	(105,356)
(b) <u>Exit from consolidation:</u>						
Current assets	-	-	-	-	836	201
Non-current assets	-	-	-	-	140,000	33,715
Current liabilities	-	-	-	-	(4,821)	(1,160)
Long-term liabilities	-	-	-	-	(36,674)	(8,832)
Non-controlling interests	-	-	-	-	(40,715)	(9,805)
Income receivable from the sale of an investee company	-	-	58,626	-	-	-
	-	-	58,626	-	58,626	14,119

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, 2024 and for the nine and 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 299 hotels throughout Israel and Europe, comprising about 53,000 hotel rooms, including 64 hotels in Israel, 219 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 September 30, 2024 the Company had a consolidated working capital deficit of about NIS 1,546 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 900 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 of approximately NIS 807 million for the nine-month period ended September 30, 2024.
 - Commencing November 2024, the Company has an unused credit facility from a banking corporation in the amount of approximately NIS 200 million.
 - Obtaining financing for properties that were not financed (a total of approximately NIS 160 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.

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 September 30, 2024 and for the nine months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 4.152). 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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - ACCOUNTING POLICIES (Cont.)

- 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.

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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - SEASONALITY OF OPERATIONS (Cont.)***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.

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
Berlin, Germany	November, 2024	Leased	225	100%	About € 2.2 million	2028

- 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).

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. Both transactions were completed in June 2024.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- c. On July 2, 2024, Fattal Hotels entered into a sales agreement (hereinafter: "the Agreement") with the Partner (50%) in Protal Tourism Ltd., an affiliated company held (50%) by Fattal Hotels (hereinafter: "Protal"), to purchase the Partner's full rights in Protal, such that, following the signing of the agreement, Fattal Hotels would hold all of Protal's shares. As of the date of the agreement, Protal holds the rights to 10 hotels in Israel that are leased and operated by Fattal Hotels, another hotel in Israel that is not active, and one hotel abroad that is not active. Also, as part of the Agreement, Protal sold to the seller its holdings (50% in a chain) in the Herods Eilat hotel complex, which will be leased to Fattal Hotels under a new 20-year lease agreement, after the existing lease agreement with Fattal Hotels has expired. The total net consideration for the transaction is approximately NIS 455 million.

The share that the Company attributed to the consideration transferred at the date of the business combination amounts to NIS 239,060 thousand for the termination of the contract with Protal. This amount represents the amount at which the contract is preferable from the perspective of the purchaser. The Group has recognized the said amount in the Statement of Income within the item, other income.

In addition, following the completion of the transaction, Protal's operations were consolidated for the first time and the Company closed the balance of net right-of-use assets and liabilities recognized in respect of the rental agreements and recognized other income in the amount of approximately NIS 53 million.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally. The goodwill created in the acquisition is attributed to the anticipated benefits resulting from the synergy of combining the activities of the Company and the acquired company.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The fair value of the identifiable assets and liabilities of Protal on the acquisition date:

	<u>Fair value</u> <u>NIS in thousands</u>
Cash and cash equivalents	2,896
Trade receivables	16,094
Other accounts receivable	165,771
Inventory	960
Property, plant and equipment, net	1,723,229
Right-of-use assets	73,273
Suppliers and service providers	(7,250)
Trade payables	(48,360)
Loans from banks and others	(374,348)
Liabilities from leases of right-of-use assets	(73,273)
Other non-current liabilities	(79,067)
Deferred taxes	(271,906)
	<hr/>
Net identifiable assets	1,128,019
Goodwill arising from the acquisition	27,926
Total purchase cost	<hr/> <u>1,155,945</u>

	<u>NIS in thousands</u>
<u>Calculation of the purchase consideration:</u>	
Cash paid	440,375
Fair value of previous investment	476,510
Settlement of previous relationships	239,060
	<hr/>
Total purchase consideration	<hr/> <u>1,155,945</u>

	<u>NIS in thousands</u>
<u>Cash arising from the acquisition/used for the acquisition:</u>	
Cash and cash equivalents in the acquired company at the date of acquisition	2,896
Cash paid for the acquisition	(440,375)
	<hr/>
Cash, net	<hr/> <u>(437,479)</u>

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., in FATTAL EUROPEAN PARTNERSHIP II LP (hereinafter - the Partnership), it should be noted that during the period of the report, Fattal Properties (Europe) invested a further EUR 16.3 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 96 million out of its total commitment (EUR 100 million).

Up to September 30, 2024, 19 hotels were purchased in UK, Poland, Cyprus, Austria, Greece, 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 field together with institutional bodies in Israel, which will operate in a format similar to the format of FATTAL EUROPEAN PARTNERSHIP II LP. As of the date of publication of the Financial Statements, investment commitments have been received totaling approximately EUR 419 million (the share of Fattal Properties (Europe) is EUR 127 million).

During the period of the report, Fattal Properties (Europe) invested approximately EUR 59 million as per its share of calls for money made by the Partnership III, 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 publication of the Financial Statements, agreements were signed for purchasing 23 hotels in Netherlands, France, Spain, Italy, Germany Ireland and the UK in a total value of approximately EUR 604 million.

As part of the acquisition of the 23 hotels as described above, in July 2024, 12 hotels in the Netherlands were acquired at a total cost of approximately EUR 370 million (before investments required for planned renovations). Partnership III invested 76.47% in the transaction (approximately EUR 108 million). In addition, Fattal Properties (Europe) acquired an additional 9.97% of this portfolio through a joint venture with another financial institution (13.56%), and for this purpose Fattal Properties (Europe) injected a total of EUR 14 million to complete the transaction.

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

It should also be noted that during July 2024, the investee company was provided with a loan from a banking corporation in the amount of GBP 525 million, which was used, together with the injection of funds by the partners, to repay a loan of GBP 610 million. The Company's share of the proceeds used to repay the loan and related costs is approximately GBP 62 million.

- g. On February 7, 2024, the Company issued to the public NIS 210,343 thousands 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 thousands (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.
- h. On July 22, 2024, the Company completed a public offering of NIS 100,000 thousands par value of Commercial securities (Series 1) for a total consideration of NIS 100,000 thousands (before deducting issuance costs). The Commercial securities (Series 1) bears a variable annual interest rate, calculated as a weighted average (according to the number of days in the interest period) of Bank of Israel interest rates that were in effect during the interest period plus a fixed annual margin of 0.6%. The principal of the Commercial securities (Series 1) and interest thereon will be payable in a single installment payable on July 21, 2025.
- i. During September 2024, Fattal Properties (Europe) expanded a series of Bonds (Series E) by allocating to the public 220,000,000 bonds (Series E) of 1 NIS par value of Fattal Properties (Europe), registered for trading, at a price of NIS 1.019 per NIS 1 par value of bonds and a total of approximately NIS 224,180 thousands (approximately EUR 54 million) for all the aforementioned Bonds (Series E). The Bonds are denominated in shekels and bear annual interest at a rate of 6.37%, and are not linked (principal and interest) to any linkage base. The effective interest rate implicit in the expansion is 6.68%. After the aforementioned allocations, the total number of Bonds (Series E) in circulation amounts to NIS 416,852 thousands par value.

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:

	December 31, 2023 (audited)		September 30, 2023 (unaudited)	
	Book value (*)	Fair value	Book value (*)	Fair value
N I S				
(In thousands)				
Loans from banking corporations and other liabilities:				
Debentures (Level 1 of the fair value hierarchy)	2,897,835	2,806,316	2,731,912	2,546,483
Fixed interest loans (Level 3 of the fair value hierarchy)	1,868,730	1,815,224	1,657,122	1,567,319
Total	4,766,565	4,621,540	4,389,034	4,113,802

	September 30, 2024 (unaudited)		September 30, 2024 (unaudited)	
	Book value (*)	Fair value	Book value (*)	Fair value
N I S				
Convenience translation into Euro (Note 1e)				
(In thousands)				
<u>Loans from banking corporations and other liabilities:</u>				
Debentures (Level 1 of the fair value hierarchy)	2,908,611	2,826,466	700,465	680,682
Fixed interest loans (Level 3 of the fair value hierarchy)	1,810,280	1,781,284	435,960	428,977
Total	4,718,891	4,607,750	1,136,425	1,109,659

*) Including interest payable.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: - REVENUES FROM HOSPITALITY SERVICES AND OTHERS

	Year ended December 31, 2023	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1e)
		2023	2024	2023	2024	Nine months ended September 30, 2024
	Audited	Unaudited				Unaudited
	NIS					Euro
	(In thousands)					
Rooms	5,352,594	1,602,134	1,740,517	4,037,032	4,335,948	1,044,203
Food and beverages	1,148,780	282,143	326,547	778,309	924,463	222,633
Other services	378,715	106,262	95,323	298,288	266,482	64,175
Hotel management fees	48,371	33,584	36,118	43,503	60,705	14,620
	6,928,460	2,024,123	2,198,505	5,157,132	5,587,598	1,345,631

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
					N I S				
	(In thousands)								
<u>Nine months ended September 30, 2024</u>									
(unaudited)									
Segment revenues	1,438,337	2,177,078	1,797,409	550,430	(375,656)	5,587,598	-	5,587,598	1,345,631
Operating income before depreciation and amortization, other operating expenses and rental expenses	479,759	829,829	653,635	228,093	(108,571)	2,082,745	-	2,082,745	501,576
Operating income before depreciation and amortization and other operating expenses	390,981	447,026	236,026	139,988	(272,895)	941,126	1,036,097	1,977,223	476,164
Depreciation and amortization	(92,502)	(161,369)	(85,463)	(40,849)	61,747	(318,436)	(606,077)	(924,513)	(222,645)
Other operating income, net								240,966	58,031
Finance expenses, net								(866,924)	(208,776)
Group's share of earnings of associate companies and partnerships accounted for at equity								(69,078)	(16,636)
Income before tax benefit								357,674	86,138
Tax benefit								(48,719)	(11,732)
Net income								308,955	74,406

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, 2023 (unaudited)</u>								
Segment revenues	1,447,207	1,948,929	1,623,598	437,521	(300,123)	5,157,132	-	5,157,132
Operating income before depreciation and amortization, other operating expenses and rental expenses	379,826	750,796	571,994	183,443	(83,620)	1,802,439	-	1,802,439
Operating income before depreciation and amortization and other operating expenses	277,353	384,215	198,010	105,940	(206,390)	759,128	922,483	1,681,611
Depreciation and amortization	(83,035)	(129,014)	(79,833)	(26,194)	51,662	(266,414)	(571,805)	(838,219)
Other operating expenses, net								(20,225)
Finance expenses, net								(766,182)
Group's share of losses of associate companies and partnerships accounted for at equity								(231)
Income before taxes on income								56,754
Taxes on income								(8,192)
Net income								48,562

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, 2024 (unaudited)</u>								
Segment revenues	577,030	850,966	694,120	248,889	(172,500)	2,198,505	-	2,198,505
Operating income before depreciation and amortization, other operating expenses and rental expenses	197,459	359,218	272,935	119,401	(66,220)	882,793	-	882,793
Operating income before depreciation and amortization and other operating expenses	156,954	223,856	122,082	83,030	(115,174)	470,748	342,456	813,204
Depreciation and amortization	(33,718)	(57,337)	(30,440)	(14,271)	18,792	(116,974)	(202,138)	(319,112)
Other operating income, net								242,665
Finance expenses, net								(311,116)
Group's share of losses of associate companies and partnerships accounted for at equity								(28,982)
Income before taxes on income								396,659
Taxes on income								(50,947)
Net income								345,712

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)							
Three months ended September 30, 2023 (unaudited)								
Segment revenues	559,787	743,519	638,574	209,940	(127,697)	2,024,123	-	2,024,123
Operating income before depreciation and amortization, other operating expenses and rental expenses	165,692	324,095	249,708	98,016	(41,959)	795,552	-	795,552
Operating income before depreciation and amortization and other operating expenses	130,754	192,901	115,536	64,246	(89,746)	413,691	320,046	733,737
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								14,319
Income before taxes on income								163,175
Taxes on income								(39,220)
Net income								123,955

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