

FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2025

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, 2025 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 0.64% of total consolidated assets as of March 31, 2025, and their revenues constitute approximately 2.27% 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 538,769 thousand as of March 31, 2025 and the Company's share of their losses amounted to NIS 7,574 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 28, 2025

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2024 Audited	March 31, 2024 Unaudited N I S	March 31, 2025 Unaudited Euro	Convenience translation (Note 1d) March 31, 2025 Unaudited Euro
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	573,657	748,575	560,504	139,363
Securities held for trading	86,536	26,375	193,644	48,147
Trade receivables	444,009	308,853	447,211	111,194
Other accounts receivable	305,059	246,003	346,222	86,086
Income tax receivable	1,301	800	1,183	294
Inventories	26,511	23,782	26,618	6,618
	<u>1,437,073</u>	<u>1,354,388</u>	<u>1,575,382</u>	<u>391,702</u>
Assets held for sale	-	181,610	-	-
	<u>1,437,073</u>	<u>1,535,998</u>	<u>1,575,382</u>	<u>391,702</u>
NON-CURRENT ASSETS:				
Long-term receivables	107,074	67,239	68,135	16,941
Advance on Fixed Assets	16,998	-	121,166	30,126
Loans and Investments in companies and partnerships accounted for at equity	3,231,841	3,207,967	3,394,187	843,926
Property, plant and equipment, net	9,605,498	7,304,679	10,042,522	2,496,960
Property, plant and equipment under construction	542,443	475,141	623,180	154,947
Right-of-use assets, net	12,394,547	13,319,409	12,871,929	3,200,460
Deferred taxes on right-of-use assets	600,115	594,682	638,722	158,811
Deferred taxes	181,944	227,401	231,300	57,510
Intangible assets	381,088	367,966	401,267	99,771
	<u>27,061,548</u>	<u>25,564,484</u>	<u>28,392,408</u>	<u>7,059,452</u>
	<u><u>28,498,621</u></u>	<u><u>27,100,482</u></u>	<u><u>29,967,790</u></u>	<u><u>7,451,154</u></u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2024 Audited	March 31, 20242025 Unaudited		Convenience translation (Note 1d) March 31, 2025 Unaudited Euro
	NIS (In thousands)			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	646,221	693,663	1,241,614	308,713
Current maturities of liabilities from leases of right-of-use assets	467,993	504,798	501,895	124,791
Current maturities of debentures	540,350	536,517	492,837	122,538
Trade payables	294,081	268,813	323,605	80,461
Income tax payable	43,089	26,725	33,826	8,410
Other accounts payable	903,997	982,090	984,868	244,876
Shareholders	6,771	6,058	6,400	1,591
	2,902,502	3,018,664	3,585,045	891,380
Liabilities from assets held for sale	-	44,232	-	-
	2,902,502	3,062,896	3,585,045	891,380
NON-CURRENT LIABILITIES:				
Loans from banks and others	4,561,098	3,134,067	4,447,449	1,105,808
Debentures, net	2,261,129	2,423,497	2,667,419	663,224
Liabilities from leases of right-of-use assets	13,636,110	14,527,321	14,188,289	3,527,758
Deferred taxes	843,266	500,106	843,990	209,849
Employee benefit liabilities, net	27,828	25,031	29,505	7,336
Other non-current liabilities	111,895	80,741	158,006	39,287
Shareholders	5,110	8,897	4,688	1,166
	21,446,436	20,699,660	22,339,346	5,554,428
Total liabilities	24,348,938	23,762,556	25,924,391	6,445,808
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	1,091,095	1,085,139	1,091,682	271,434
Capital reserves	2,163,664	2,174,630	2,277,782	566,346
Retained earnings (losses)	844,152	(16,269)	618,144	153,694
	4,098,911	3,243,500	3,987,608	991,474
Non-controlling interests	50,772	94,426	55,791	13,872
Total equity	4,149,683	3,337,926	4,043,399	1,005,346
	28,498,621	27,100,482	29,967,790	7,451,154

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

May 28, 2025			
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, 2024	Three months ended March 31,		Convenience translation (Note 1d)
	Audited	2024	2025	Three months ended March 31, 2025
		Unaudited		Unaudited
		N I S		Euro
		(In thousands)		
Revenues from hospitality services and others	7,444,403	1,402,268	1,399,161	347,885
Cost of revenues	3,980,513	834,867	897,244	(223,090)
	3,463,890	567,401	501,917	124,795
Selling and marketing expenses	156,636	34,516	45,449	11,300
General and administrative expenses	582,388	134,084	147,202	36,600
	2,724,866	398,801	309,266	76,895
Hotel lease expenses	137,433	13,085	11,673	2,902
Operating income before depreciation and amortization and other operating expenses, net	2,587,433	385,716	297,593	73,993
Depreciation and amortization	381,928	85,282	85,980	21,378
Depreciation of revaluation of step-up	56,119	12,932	16,978	4,221
Depreciation on right-of-use assets	804,461	197,738	188,595	46,892
Other operating expenses (incomes), net	(231,253)	1,600	4,885	1,215
Operating income	1,576,178	88,164	1,155	287
Finance expenses	(340,939)	(69,932)	(100,457)	(24,977)
Financing expenses on liabilities from leases of right- of-use assets	(789,617)	(191,220)	(188,202)	(46,794)
Group's share of losses of companies and partnerships accounted for at equity	(95,910)	(26,071)	(25,034)	(6,224)
Income (loss) before tax benefit	349,712	(199,059)	(312,538)	(77,708)
Tax benefit (taxes on income)	(71,568)	37,274	58,380	14,516
Income (loss) for the period	278,144	(161,785)	(254,158)	(63,192)
Attributable to:				
Shareholders of the Company	278,220	(162,442)	(255,146)	(63,438)
Non-controlling interests	(76)	657	988	246
	278,144	(161,785)	(254,158)	(63,192)
<u>Income (loss) per share attributable to equity holders</u> <u>of the Company: (in NIS)</u>				
Basic income (loss) per share	16.93	(9.93)	(15.50)	(3.85)
Diluted income (loss) per share	16.87	(9.93)	(15.50)	(3.85)

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, 2024 Audited	Three months ended March 31, 2024 Unaudited	2025 Unaudited	Three months ended March 31, 2025 Unaudited
		N I S		Euro
		(In thousands)		
Income (loss) for the period	278,144	(161,785)	(254,158)	(63,192)
Other comprehensive income (loss) (after tax effect):				
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>				
Actuarial income, net	1,663	-	-	-
Revaluation of properties, net	269,691	17,011	16,116	4,007
Group's share in revaluation of properties in companies and partnerships accounted for at equity	326,173	130,282	79,958	19,881
Total amounts that will not be reclassified subsequently to profit or loss	597,527	147,293	96,074	23,888
<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	80,171	14,906	(83,028)	(20,644)
Foreign currency translation adjustments	(121,789)	(17,327)	134,275	33,386
Total amounts that will be reclassified subsequently to profit or loss	(41,618)	(2,421)	51,247	12,742
Total other comprehensive income	555,909	144,872	147,321	36,630
Total comprehensive income (loss)	834,053	(16,913)	(106,837)	(26,562)
Attributable to:				
Shareholders of the Company	833,940	(17,726)	(111,856)	(27,810)
Non-controlling interests	113	813	5,019	1,248
	834,053	(16,913)	(106,837)	(26,562)

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)									
Balance as of January 1, 2025 (audited)	1,091,095	10,909	844,152	(297,678)	7,518	107,896	2,335,019	4,098,911	50,772	4,149,683
Income (loss) for the period	-	-	(255,146)	-	-	-	-	(255,146)	988	(254,158)
Other comprehensive income (loss)	-	-	-	215,160	-	(83,028)	11,158	143,290	4,031	147,321
Total comprehensive income (loss)	-	-	(255,146)	215,160	-	(83,028)	11,158	(111,856)	5,019	(106,837)
Exercise of stock options	501	(501)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	86	-	-	-	-	-	-	86	-	86
Vesting option to employees	-	467	-	-	-	-	-	467	-	467
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	29,138	-	-	-	(29,138)	-	-	-
Balance as of March 31, 2025	1,091,682	10,875	618,144	(82,518)	7,518	24,868	2,317,039	3,987,608	55,791	4,043,399

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)									
Balance as of January 1, 2025 (audited)	271,289	2,712	209,889	(74,014)	1,869	26,827	580,576	1,019,148	12,624	1,031,772
Income (loss) for the period	-	-	(63,438)	-	-	-	-	(63,438)	246	(63,192)
Other comprehensive income (loss)	-	-	-	53,498	-	(20,644)	2,774	35,628	1,002	36,630
Total comprehensive income (loss)	-	-	(63,438)	53,498	-	(20,644)	2,774	(27,810)	1,248	(26,562)
Exercise of stock options	125	(125)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	20	-	-	-	-	-	-	20	-	20
Vesting option to employees	-	116	-	-	-	-	-	116	-	116
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	7,243	-	-	-	(7,243)	-	-	-
								-		
Balance as of March 31, 2025	271,434	2,703	153,694	(20,516)	1,869	6,183	576,107	991,474	13,872	1,005,346

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)									
Balance as of January 1, 2024 (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
Income (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)	-	-	-
Balance as of March 31, 2024	1,085,139	13,120	(16,269)	(159,122)	7,518	42,631	2,270,483	3,243,500	94,426	3,337,926

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 January 1, 2024	1,083,328	14,286	132,724	(137,574)	7,518	27,725	2,132,574	3,260,581	93,937	3,354,518
Income (loss) for the period	-	-	278,220	-	-	-	-	278,220	(76)	278,144
Other comprehensive income (loss)	-	-	-	(160,104)	-	80,171	635,653	555,720	189	555,909
Total comprehensive income (loss)	-	-	278,220	(160,104)	-	80,171	635,653	833,940	113	834,053
Exercise of stock options	4,763	(4,763)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	3,004	-	-	-	-	-	-	3,004	-	3,004
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(2,563)	(2,563)
Vesting option to employees	-	1,386	-	-	-	-	-	1,386	-	1,386
Exercise of stock of an investee company	-	-	-	-	-	-	-	-	(40,715)	(40,715)
Transfer from revaluation in respect of sale, net	-	-	368,303	-	-	-	(368,303)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	64,905	-	-	-	(64,905)	-	-	-
Balance as of December 31, 2024	1,091,095	10,909	844,152	(297,678)	7,518	107,896	2,335,019	4,098,911	50,772	4,149,683

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, 2024	Three months ended March 31, 2024 2025		Three months ended March 31, 2025
	Audited	Unaudited		Unaudited
		N I S		Euro
		(In thousands)		
<u>Cash flows from operating activities:</u>				
Income (loss) for the period	278,144	(161,785)	(254,158)	(63,192)
Adjustments to reconcile net income to net cash provided by operating activities:				
Adjustments to the profit or loss items:				
Depreciation and amortization and depreciation on revaluation of property, plant and equipment and right-of-use assets	1,242,508	295,952	291,553	72,491
Finance expenses, net	1,138,637	265,911	290,713	72,283
Group's share of losses of companies and partnerships accounted for at equity	95,910	26,071	25,034	6,224
Change in liabilities for time-sharing rights, net	(1,033)	(134)	(451)	(112)
Change in employee benefit liabilities, net	5,264	1,630	1,521	378
Taxes on income (tax benefit)	71,568	(37,274)	(58,380)	(14,516)
Loss (gain) from impairment (increase) of property, plant and equipment and investments	7,488	(1,260)	2,913	724
Share-based payment expense	1,386	645	467	116
Gain from obtaining control of an investee	(266,045)	-	-	-
Gain from a change in the value of securities held for trading	(17,322)	(6,262)	(2,396)	(596)
	<u>2,278,361</u>	<u>545,279</u>	<u>550,974</u>	<u>136,992</u>
Changes in asset and liability items:				
Decrease (increase) in trade receivables	(144,039)	(23,977)	7,908	1,966
Increase in other accounts receivable	(101,259)	(9,211)	(32,472)	(8,074)
Decrease (increase) in inventories	(2,200)	613	1,143	284
Decrease (increase) in long-term receivables	(44,528)	(11,342)	265	66
Increase in trade payables	23,979	698	20,923	5,202
Increase (decrease) in other accounts payable	(76,995)	(15,655)	29,668	7,377
Increase (decrease) in other non-current liabilities	15,735	13,910	(11,234)	(2,793)
	<u>(329,307)</u>	<u>(44,964)</u>	<u>16,201</u>	<u>4,028</u>
Cash paid during the period for:				
Receiving a dividend from an investee company	10,500	7,500	4,500	1,119
Taxes paid	(94,437)	(11,205)	(21,995)	(5,469)
Interest paid for leases of right-of-use assets	(793,300)	(191,125)	(187,396)	(46,594)
Other interest paid, net	(312,250)	(81,910)	(102,256)	(25,425)
	<u>(1,189,487)</u>	<u>(276,740)</u>	<u>(307,147)</u>	<u>(76,369)</u>
Net cash provided by operating activities	1,037,711	61,790	5,870	1,459

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2024 Audited	Three months ended March 31, 2024 2025 Unaudited		Convenience translation (Note 1d) Three months ended March 31, 2025 Unaudited Euro
		N I S		
		(In thousands)		
<u>Cash flows from investing activities:</u>				
Proceeds from sale of fixed assets	32,906	-	-	-
Purchase of property, plant and equipment, net	(516,756)	(23,742)	(249,625)	(62,066)
Current investments in existing assets	(263,947)	(67,426)	(86,239)	(21,442)
Advance of investment in fixed assets	(17,000)	-	(93,152)	(23,161)
Purchase of companies consolidated for the first time (a)	(437,479)	-	-	-
Exit from consolidation (b)	58,626	-	-	-
Tax paid for the disposal of fixed assets in the past	(5,660)	-	-	-
Sale and purchase of securities held for trading, net	(50,994)	(1,893)	(104,712)	(26,035)
Loans and Investment in companies and partnerships accounted for at equity, net	(514,338)	(50,807)	(3,140)	(781)
Change in accounts receivable	(14,554)	(14,008)	(1,123)	(279)
Change in designated deposit, net	312	(129)	77	19
Investment in various companies, net	(22,383)	(4,950)	(40,850)	(10,157)
Net cash used in investing activities	(1,751,267)	(162,955)	(578,764)	(143,902)
<u>Cash flows from financing activities:</u>				
Short-term credit from banking corporations, net	104,589	112,345	188,208	46,796
Receipt of long-term loans from banking corporations and others	1,395,366	50,000	267,250	66,449
Repayment of long-term loans from banking corporations and others	(396,286)	(124,935)	(121,982)	(30,329)
Issue of debentures, net	428,446	208,675	483,390	120,189
Repayment of debentures	(535,272)	(129,467)	(129,772)	(32,266)
Repayment of liabilities from leases of right-of-use assets	(576,914)	(148,729)	(142,253)	(35,370)
Net cash provided by (used in) financing activities	419,929	(32,111)	544,841	135,469
<u>Translation differences in respect of balances of cash and cash equivalents</u>	(18,761)	(4,088)	14,900	3,705
<u>Decrease in cash and cash equivalents</u>	(312,388)	(137,364)	(13,153)	(3,269)
Cash included in assets held for sale	-	(106)	-	-
<u>Cash and cash equivalents at beginning of period</u>	886,045	886,045	573,657	142,632
<u>Cash and cash equivalents at end of period</u>	573,657	748,575	560,504	139,363
<u>Material non-cash activity:</u>				
Cancellation of lease as a result of the purchase of the underlying asset	18,835	-	13,955	3,470
Purchase of properties, plant and equipment	176,703	5,134	4,029	1,002
Recognition of the right-of-use assets against lease liabilities	707,967	125,082	87,887	21,852
Updates in right-of-use assets in respect of linkages to the CPI index	566,215	452,419	95,171	23,663
Conversion of convertible bonds into shares	3,004	-	86	21

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, 2024	Three months ended March 31,		Three months ended March 31, 2025
	Audited	2024	2025	Unaudited
		Unaudited		Unaudited
		NIS		Euro
		(In thousands)		

(a) Acquisition of initially consolidated subsidiaries:

The subsidiaries' assets and liabilities at date of acquisition:

Current assets	(167,399)	-	-	-
Non-current assets	(1,828,795)	-	-	-
Current liabilities	139,089	-	-	-
Non-current liabilities	704,056	-	-	-
Profit from the settlement of previous relationships	239,060	-	-	-
Disposal of an investment in a company accounted for using the equity method	476,510	-	-	-
	(437,479)	-	-	-

				Convenience translation (Note 1d)
	Year ended December 31, 2024	Three months ended March 31,		Three months ended March 31, 2025
	Audited	2024	2025	Unaudited
		Unaudited		Unaudited
		NIS		Euro
		(In thousands)		

(b) Exit from consolidation:

Current assets	836	-	-	-
Non-current assets	140,000	-	-	-
Current liabilities	(4,821)	-	-	-
Long-term liabilities	(36,674)	-	-	-
Non-controlling interests	(40,715)	-	-	-
	58,626	-	-	-

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, 2025 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, 2024 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 305 hotels throughout Israel and Europe, comprising about 53,000 hotel rooms, including 222 hotels throughout Europe (excluding Cyprus and Greece), 66 hotels in Israel, and 17 hotels in Cyprus and Greece. For further details regarding operating segments, see Note 7.
- c. It should be noted that, as of March 31, 2025 the Company had a consolidated working capital deficit of about NIS 2,010 million. According to the experience and assessment of the Company's Management and the assessment of 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 balance of current liabilities as of March 31, 2025 includes a total of NIS 400 million in current maturities and NIS 200 million in short-term loans from banking corporations. The Company estimates that a refinancing process will be completed in the coming months to replace the debt described above with long-term loans. It should also be noted that the balance of current liabilities includes commercial securities amounting to NIS 100 million due for repayment in July 2025, for which the Company intends to issue new commercial securities after its repayment.
 - Obtaining financing for properties with a total value of NIS 1,524 million and an average LTV of 33%, which were purchased with external financing, with the majority of it already repaid and the Company is working to raise new external financing for these hotels at an average LTV of 55% and also obtaining financing for properties that were not financed (a total of approximately NIS 160 million).
 - Financing ability in the Capital Market.
 - The Company is expected to have a significant positive cash flow provided by operating activities, which is used to finance the Company's operations. The Company's cash flow from operating activities increases substantially later in the year due to the impact of seasonality on the Company's operations as detailed in Note 3 below. It should be noted that the cash flow provided by operating activities in 2024 amounted to NIS 1,037 million.

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

- d. The financial statements as of March 31, 2025 and for the three months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 4.0219). 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 POLICIESBasis 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.

NOTE 3: - SEASONALITY OF OPERATIONSIsrael

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 (100%) / Annual rent	Expected date of opening / Lease period
Liverpool, England (1)	November, 2024	Acquisition	310	100%	About £ 36.5 million	Operated since acquisition date
Jaffa, Israel (2)	December, 2024	Acquisition	119	100%	About \$ 119 million	Operated since acquisition date
Mainz, Germany	January, 2025	Leased	217	100%	About € 2.1 million	During 2025
Heathrow, England (3)	March, 2025	Acquisition	230	100%	About £ 27.5 million	May, 2025
Nicosia, Cyprus	April, 2025	Leased	70	100%	About € 0.8 million	December, 2025

- 1) In November 2024, the Group entered into an agreement to acquire a hotel in Liverpool, England, for approximately £36.5 million. At that time, a deposit of £3.65 million was paid. The balance of the consideration was paid on the date of completion of the transaction in March 2025. The company obtained bank financing of approximately £22 million as part of the aforementioned acquisition. It should be noted that the hotel is leased and operated by the Company as of the date of the transaction.
 - 2) In December 2024, the Group entered into an agreement to purchase a hotel in Jaffa, Tel Aviv. The hotel includes 119 rooms and 2,259 sq. mtrs. of residential space available for sale (including balcony space). As of the balance sheet date, an advance payment of US\$ 26 million had been made on account of the purchase of the hotel. The balance of the consideration was paid on the date of completion of the transaction in April 2025. Also, on the date of completion of the transaction, the Group took out financing from banking corporations amounting to NIS 312 million.
 - 3) In March 2025, the Group entered into an agreement to acquire the Heathrow Hotel in London for approximately £27.5 million. As of the balance sheet date, the Group has paid a deposit of approximately £2.8 million towards the hotel acquisition. The transaction was completed in May 2025. It should be noted that the hotel is leased and operated by the Group as of the date of the transaction.
- b. On February 16, 2025, the Company expanded the series of bonds (Series E) by allocating to the public NIS 246,602 thousand par value bonds (Series E) of NIS 1 par value each of the Company, registered for trading, for a gross cash consideration of NIS 263,617 thousand (before deducting issuance costs of approximately NIS 2 million), at a price of NIS 1.069 per NIS 1 par value. Following the allocation, as stated above, the total Series E Bonds in circulation amounts to NIS 456,945 par value.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- c. In March 2025, Fattal Properties (Europe) Ltd, which is 100% owned in final chain of ownership by the Company (hereinafter – "Fattal Properties (Europe)"), issued to the public NIS 223,674 thousand par value bonds (Series F) of NIS 1 par value, registered for trading, for gross cash consideration of approximately NIS 223 million (before deducting issuance costs of approximately NIS 2.2 million). The bonds are denominated in shekels, bear annual interest at a rate of 5.59%, and are not index-linked (principal and interest).

The Bonds (Series F) will be repayable in seven annual instalments on September 30 of each of the years 2028 to 2034 (inclusive) commencing September 30, 2028, such that each of the first four instalments will constitute 10% of the total principal amount of the Bonds (Series F), and each of the last three instalments will constitute 20% of the total principal amount of the Bonds (Series F). The first principal payment will be paid on September 30, 2028, and the last principal payment will be paid on September 30, 2034.

In addition, as part of the issuance, Fattal Properties (Europe) committed to financial benchmarks, as defined in the trust deed, the main ones being:

1. The capital to balance sheet ratio must not be less than 23%.
2. The shareholders' equity of Fattal Properties (Europe) must not be less than EUR 270 million.

In addition, the trust deed for the bonds provides a mechanism for adjusting the interest rate in accordance with a change in the bond rating and in the event of a violation of the following financial benchmarks:

1. The capital to balance sheet ratio must not be less than 27%.
2. The shareholders' equity of Fattal Properties (Europe) will not be less than EUR 300 million.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- d. Further to that stated in Note 10B in the Consolidated Annual Financial Statements as of December 31, 2024 in connection with investments by Fattal Properties (Europe) Ltd., in FATTAL EUROPEAN PARTNERSHIP II LP (hereinafter - the Partnership), during the first quarter, Fattal Properties (Europe) invested a further EUR 1.2 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 97 million out of its total commitment (EUR 100 million).

The partnership owns 19 hotels located in England, Spain, Poland, Cyprus, Austria, Greece, Germany and Italy.

- e. Further to that stated in Note 10C in the Consolidated Annual Financial Statements as of December 31, 2024 in connection with investments by Fattal Properties (Europe) Ltd., in FATTAL EUROPEAN PARTNERSHIP III LP (hereinafter - the Partnership III), as of the date of publication of the Financial Statements, investment commitments have been received totalling approximately EUR 542.4 million (the share of Fattal Properties (Europe) Ltd. is EUR 158.8 million).

As of the date of signing the Report, Fattal Properties (Europe) invested about EUR 60 million according to its share in calls for money made by the Partnership III.

As of the date of signing the Report Partnership III owns 25 hotels located in Netherlands, France, Spain, Italy, Germany, Ireland and England.

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, 2024</u>		<u>December 31, 2024</u>	
	<u>Book</u>		<u>Book</u>	
	<u>value(*)</u>	<u>Fair value</u>	<u>value(*)</u>	<u>Fair value</u>
	<u>Unaudited</u>		<u>Audited</u>	
	<u>N I S</u>			
	<u>(In thousands)</u>			
<u>Loans from banking corporations and other liabilities</u>				
Debentures (Level 1 of the fair value hierarchy)	2,982,297	2,925,073	2,834,369	2,797,566
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,776,372</u>	<u>1,750,475</u>	<u>1,869,205</u>	<u>1,874,436</u>
Total	<u>4,758,669</u>	<u>4,675,548</u>	<u>4,703,574</u>	<u>4,672,002</u>
			<u>Convenience translation into Euro (note 1d)</u>	
	<u>Book</u>		<u>Book</u>	
	<u>value(*)</u>	<u>Fair value</u>	<u>value(*)</u>	<u>Fair value</u>
	<u>March 31, 2025</u>		<u>March 31, 2025</u>	
	<u>Unaudited</u>			
	<u>NIS</u>		<u>Euro</u>	
	<u>(In thousands)</u>		<u>(In thousands)</u>	
<u>Loans from banking corporations and other liabilities</u>				
Debentures (Level 1 of the fair value hierarchy)	3,193,074	2,907,964	793,922	723,032
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,891,634</u>	<u>1,880,273</u>	<u>470,333</u>	<u>467,509</u>
Total	<u>5,084,708</u>	<u>4,788,237</u>	<u>1,264,255</u>	<u>1,190,541</u>

(*) Including interest payable.

NOTE 6:- REVENUES FROM HOSPITALITY SERVICES AND OTHERS

				Convenience translation (Note 1d)
	Year ended December 31, 2024	Three months ended March 31,		Three months ended March 31, 2025
		2024	2025	
		NIS		Euro
	(In thousands)			
Rooms	5,745,634	1,042,135	1,055,529	262,445
Food and beverages	1,232,845	276,740	241,618	60,076
Other services	386,500	76,158	90,201	22,427
Hotel management fees	79,424	7,235	11,813	2,937
	7,444,403	1,402,268	1,399,161	347,885

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)								
<u>Three months ended March 31, 2025</u>									
<u>(unaudited):</u>									
Segment revenues	<u>356,339</u>	<u>563,796</u>	<u>453,820</u>	<u>127,683</u>	<u>(102,477)</u>	<u>1,399,161</u>	<u>-</u>	<u>1,399,161</u>	<u>347,885</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>50,733</u>	<u>135,514</u>	<u>101,862</u>	<u>43,899</u>	<u>(22,742)</u>	<u>309,266</u>	<u>-</u>	<u>309,266</u>	<u>76,895</u>
Operating income (loss) before depreciation and amortization and other operating expenses	<u>23,714</u>	<u>14,556</u>	<u>(16,977)</u>	<u>15,448</u>	<u>(68,797)</u>	<u>(32,056)</u>	<u>329,649</u>	<u>297,593</u>	<u>73,993</u>
Depreciation and amortization	(37,548)	(44,214)	(40,024)	(18,250)	37,078	(102,958)	(188,595)	(291,553)	(72,491)
Other operating expenses, net								(4,885)	(1,215)
Finance expenses, net								(288,659)	(71,771)
Group's share of losses of associate companies and partnerships accounted for at equity								(25,034)	(6,224)
Loss before tax benefit								(312,538)	(77,708)
Tax benefit								<u>58,380</u>	<u>14,516</u>
Loss for the period								<u>(254,158)</u>	<u>(63,192)</u>

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, 2024								
(unaudited):								
Segment revenues	<u>384,448</u>	<u>529,559</u>	<u>464,850</u>	<u>107,514</u>	<u>(84,103)</u>	<u>1,402,268</u>	<u>-</u>	<u>1,402,268</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>132,740</u>	<u>129,823</u>	<u>117,686</u>	<u>28,682</u>	<u>(10,130)</u>	<u>398,801</u>	<u>-</u>	<u>398,801</u>
Operating income (loss) before depreciation and amortization and other operating expenses	<u>97,763</u>	<u>11,518</u>	<u>(5,248)</u>	<u>5,401</u>	<u>(63,573)</u>	<u>45,861</u>	<u>339,855</u>	<u>385,716</u>
Depreciation and amortization	(28,076)	(51,011)	(27,034)	(12,675)	20,582	(98,214)	(197,738)	(295,952)
Other operating expenses, net								(1,600)
Finance expenses, net								(261,152)
Group's share of losses of associate companies and partnerships accounted for at equity								<u>(26,071)</u>
Loss before tax benefit								(199,059)
Tax benefit								<u>37,274</u>
Loss for the period								<u>(161,785)</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

	Year ended December 31, 2024							
	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS							
<u>Year ended December 31, 2024</u> <u>(audited):</u>	(In thousands)							
Segment revenues	1,894,154	2,926,789	2,417,133	706,928	(500,601)	7,444,403	-	7,444,403
Cost of Revenue	(1,089,172)	(1,806,121)	(1,091,236)	(299,099)	305,115	(3,980,513)	-	(3,980,513)
Operating income before depreciation and amortization, other operating expenses and rental expenses	605,503	1,109,345	861,422	306,114	(157,518)	2,724,866	-	2,724,866
Operating income before depreciation and amortization and other operating expenses	491,689	604,253	299,406	193,092	(371,220)	1,217,220	1,370,213	2,587,433
Depreciation and amortization	(127,983)	(223,930)	(141,788)	(75,011)	130,665	(438,047)	(804,461)	(1,242,508)
Other expenses, net								231,253
Finance expenses, net								(1,130,556)
Group's share of losses of associate companies and partnerships accounted for at equity								(95,910)
Income before taxes on income								349,712
Taxes on income								(71,568)
Net income								278,144