

FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2021

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, 2021 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 a company accounted for at equity, the investment in which amounted to NIS 82,627 thousand as of September 30, 2021 and the Company's share of their losses amounted to NIS 3,596 thousand and NIS 1,424 thousand for the nine and three months periods then ended. The condensed interim financial information of this company 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 this company, 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.

Emphasis of matter

Without qualifying our above conclusion, we draw attention to the matter discussed in Note 1c regarding the uncertainty that exists due to the spread of the Coronavirus and its effects on the entire tourism and hospitality industry globally and, in particular, in the countries in which the Company operates. As for the actions the Company is undertaking and is planning in order to match its cash expenditures to the significant decrease in revenues, compared to the situation before the spread of the Coronavirus, as well as the plans of management and the board of directors in respect of this matter, see Note 1c.

Tel-Aviv, Israel
November 29, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



	December 31, 2020 Audited	September 30,		Convenience translation (Note 1b)
		2020 Unaudited NIS	2021	September 30, 2021 Unaudited Euro
(In thousands)				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	1,257,291	966,059	1,183,571	316,802
Securities held for trading	35,699	17,627	96,832	25,919
Trade receivables	90,222	187,093	373,835	100,063
Restricted deposit	14,171	116,390	-	-
Other accounts receivable	221,777	169,574	127,651	34,168
Income tax receivable	1,554	12,003	8,645	2,314
Inventories	10,885	14,614	15,324	4,102
	<u>1,631,599</u>	<u>1,483,360</u>	<u>1,805,858</u>	<u>483,368</u>
Assets held for sale	<u>430,681</u>	<u>423,330</u>	<u>157,206</u>	<u>42,079</u>
	<u>2,062,280</u>	<u>1,906,690</u>	<u>1,963,064</u>	<u>525,447</u>
NON-CURRENT ASSETS:				
Long-term receivables	60,658	20,860	67,326	18,021
Advance on property, plant and equipment	33,076	32,300	41,693	11,160
Loans and investments in companies and partnerships accounted for at equity	1,302,179	1,315,636	1,420,911	380,329
Property, plant and equipment, net	5,383,065	5,492,275	5,319,334	1,423,805
Right-of-use assets, net	11,853,401	12,110,458	11,822,755	3,164,549
Deferred taxes on right-of-use assets	258,605	245,878	343,481	91,938
Deferred taxes	111,213	89,346	152,921	40,932
Intangible assets	410,057	419,020	386,784	103,529
	<u>19,412,254</u>	<u>19,725,773</u>	<u>19,555,205</u>	<u>5,234,263</u>
	<u>21,474,534</u>	<u>21,632,463</u>	<u>21,518,269</u>	<u>5,759,710</u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2020 Audited	September 30,		Convenience translation (Note 1b) September 30, 2021 Unaudited
		2020 Unaudited NIS	2021 Unaudited	Euro
(In thousands)				
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	277,053	299,284	366,696	98,152
Current maturities of liabilities from leases of right-of-use assets	334,332	327,899	300,758	80,503
Current maturities of debentures	248,841	248,841	268,407	71,843
Trade payables	143,939	224,049	308,476	82,569
Income tax payable	82,438	83,738	118,912	31,829
Other accounts payable	669,332	721,180	927,284	248,205
Shareholders	5,170	4,263	8,871	2,374
	<u>1,761,105</u>	<u>1,909,254</u>	<u>2,299,404</u>	<u>615,475</u>
Liabilities attributed to assets held for sale	<u>172,474</u>	<u>179,173</u>	<u>56,699</u>	<u>15,176</u>
	<u>1,933,579</u>	<u>2,088,427</u>	<u>2,356,103</u>	<u>630,651</u>
NON-CURRENT LIABILITIES:				
Loans from banks and others	2,808,707	2,494,986	2,560,472	685,351
Debentures, net	2,123,296	1,936,513	2,117,556	566,798
Liabilities from leases of right-of-use assets	12,207,644	12,415,517	12,232,566	3,274,241
Deferred taxes	262,860	280,186	259,332	69,414
Employee benefit liabilities, net	21,118	21,754	20,349	5,447
Other non-current liabilities	163,119	128,932	160,925	43,074
Shareholders	3,851	4,013	4,987	1,335
	<u>17,590,595</u>	<u>17,281,901</u>	<u>17,356,187</u>	<u>4,645,660</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	829,798	733,897	829,798	222,109
Capital reserves	891,322	919,234	797,467	213,455
Retained earnings	<u>152,791</u>	<u>525,084</u>	<u>102,984</u>	<u>27,565</u>
	<u>1,873,911</u>	<u>2,178,215</u>	<u>1,730,249</u>	<u>463,129</u>
Non-controlling interests	<u>76,449</u>	<u>83,920</u>	<u>75,730</u>	<u>20,270</u>
Total equity	<u>1,950,360</u>	<u>2,262,135</u>	<u>1,805,979</u>	<u>483,399</u>
	<u>21,474,534</u>	<u>21,632,463</u>	<u>21,518,269</u>	<u>5,759,710</u>

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

November 29, 2021		
Date of approval of the financial statements	David Fattal Chairman of the Board and CEO	Shachar Aka CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended	Three months ended		Nine months ended		Convenience
	December 31,	September 30,		September 30,		translation
	2020	2020	2021	2020	2021	(Note 1b)
	Audited	Unaudited				Nine months
	NIS					ended
	(In thousands)					September
						30,
						2021
						Unaudited
						Euro
Revenues from hospitality services and others	1,903,926	676,569	1,208,262	1,638,720	2,048,658	548,356
Cost of revenues	1,322,269	404,314	540,209	1,088,273	936,799	250,749
	581,657	272,255	668,053	550,447	1,111,859	297,607
Selling and marketing expenses	67,353	18,405	26,654	60,107	60,594	16,219
General and administrative expenses	267,458	75,019	88,735	207,104	206,051	55,153
	246,846	178,831	552,664	283,236	845,214	226,235
Hotel lease expenses	3,280	966	1,221	2,763	1,891	506
Operating income before depreciation and amortization and other operating expenses	243,566	177,865	551,443	280,473	843,323	225,729
Depreciation and amortization	288,137	75,010	66,072	216,188	197,405	52,839
Depreciation of revaluation of step-up	42,218	10,625	6,583	33,641	24,181	6,472
Depreciation on right-of-use assets	630,782	160,721	166,450	468,769	494,655	132,402
Other operating income (expenses), net	(41,304)	(20,773)	30,628	(66,111)	206,790	55,351
Operating income (loss)	(758,875)	(89,264)	342,966	(504,236)	333,872	89,367
Finance income	1,006	13	458	626	1,577	422
Finance expenses	(169,168)	(47,282)	(65,244)	(139,300)	(180,642)	(48,352)
Financing expenses on liabilities from lease of right-of-use assets	(638,609)	(159,700)	(164,822)	(477,715)	(494,488)	(132,358)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	(33,566)	(6,989)	8,203	(27,674)	5,552	1,486
Income (loss) before tax benefit	(1,599,212)	(303,222)	121,561	(1,148,299)	(334,129)	(89,435)
Tax benefit (Taxes on income)	274,928	31,720	(27,412)	209,936	130,062	34,813
Net income (loss)	(1,324,284)	(271,502)	94,149	(938,363)	(204,067)	(54,622)
Attributable to:						
Equity holders of the Company	(1,314,687)	(270,183)	93,782	(935,752)	(206,708)	(55,329)
Non-controlling interests	(9,597)	(1,319)	367	(2,611)	2,641	707
	(1,324,284)	(271,502)	94,149	(938,363)	(204,067)	(54,622)
Net earnings (loss) per share attributed to equity holders of the Company (in NIS):						
Basic earnings (loss) per share	(89.78)	(17.58)	6.07	(64.12)	(13.37)	(13.37)
Diluted earnings (loss) per share	(89.78)	(17.58)	5.84	(64.12)	(13.37)	(13.37)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2020 <u>Audited</u>	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1b)	
		2020	2021	2020	2021	Nine months ended September 30, 2021	
		Unaudited					Unaudited
		NIS					Euro
(In thousands)							
Net income (loss)	(1,324,284)	(271,502)	94,149	(938,363)	(204,067)	(54,622)	
Other comprehensive income (loss) (after tax effect):							
Amounts that will not be reclassified subsequently to profit or loss:							
Actuarial loss, net	(5,529)	-	-	-	-	-	
Revaluation of properties, net	(77,708)	(17,375)	49,611	(81,561)	122,714	32,846	
Group's share in revaluation of properties in companies and partnerships accounted for at equity	14,969	25,006	12,875	9,385	42,546	11,388	
Total amounts that will not be reclassified subsequently to profit or loss	(68,268)	7,631	62,486	(72,176)	165,260	44,234	
Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:							
Income (loss) in respect of cash flow hedging transaction	10,284	(25,166)	5,557	2,874	3,534	946	
Foreign currency translation adjustments	42,888	92,585	(83,452)	77,560	(107,679)	(28,822)	
Total amounts that will be reclassified subsequently to profit or loss	53,172	67,419	(77,895)	80,434	(104,145)	(27,876)	
Total other comprehensive income (loss)	(15,096)	75,050	(15,409)	8,258	61,115	16,358	
Total comprehensive income (loss)	(1,339,380)	(196,452)	78,740	(930,105)	(142,952)	(38,264)	
Attributable to:							
Equity holders of the Company	(1,324,628)	(199,303)	78,644	(923,842)	(145,438)	(38,929)	
Non-controlling interests	(14,752)	2,851	96	(6,263)	2,486	665	
	(1,339,380)	(196,452)	78,740	(930,105)	(142,952)	(38,264)	

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, 2020	635,177	5,586	1,345,877	(309,640)	-	53,343	1,263,204	2,993,547	140,695	3,134,242
Loss for the period	-	-	(1,314,687)	-	-	-	-	(1,314,687)	(9,597)	(1,324,284)
Other comprehensive income (loss)	-	-	-	46,699	-	10,284	(66,924)	(9,941)	(5,155)	(15,096)
Total comprehensive income (loss)	-	-	(1,314,687)	46,699	-	10,284	(66,924)	(1,324,628)	(14,752)	(1,339,380)
Rights issue	98,720	-	-	-	-	-	-	98,720	-	98,720
Share issue	49,755	-	-	-	-	-	-	49,755	-	49,755
Proceeds from conversion option upon issue of convertible debentures	46,146	-	-	-	-	-	-	46,146	-	46,146
Acquisition of non-controlling interests	-	-	-	-	7,518	-	-	7,518	(45,759)	(38,241)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,735)	(3,735)
Vesting option to employees	-	2,853	-	-	-	-	-	2,853	-	2,853
Transfer from revaluation in respect of sale, net	-	-	81,092	-	-	-	(81,092)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	40,509	-	-	-	(40,509)	-	-	-
Balance as of December 31, 2020	829,798	8,439	152,791	(262,941)	7,518	63,627	1,074,679	1,873,911	76,449	1,950,360

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)									
Balance as of July 1, 2020	635,177	6,971	702,253	(317,194)	-	81,383	1,161,803	2,270,393	131,710	2,402,103
Net loss	-	-	(270,183)	-	-	-	-	(270,183)	(1,319)	(271,502)
Comprehensive income (loss)	-	-	-	95,026	-	(25,166)	1,020	70,880	4,170	75,050
Total comprehensive income (loss)	-	-	(270,183)	95,026	-	(25,166)	1,020	(199,303)	2,851	(196,452)
Rights issue	98,720	-	-	-	-	-	-	98,720	-	98,720
Acquisition of non-controlling interests	-	-	-	-	7,674	-	-	7,674	(46,700)	(39,026)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,941)	(3,941)
Vesting option to employees	-	731	-	-	-	-	-	731	-	731
Transfer from revaluation in respect of sale, net	-	-	82,771	-	-	-	(82,771)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	10,243	-	-	-	(10,243)	-	-	-
Balance as of September 30, 2020	<u>733,897</u>	<u>7,702</u>	<u>525,084</u>	<u>(222,168)</u>	<u>7,674</u>	<u>56,217</u>	<u>1,069,809</u>	<u>2,178,215</u>	<u>83,920</u>	<u>2,262,135</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)									
Balance as of July 1, 2021	829,798	9,625	3,110	(290,271)	7,518	61,604	1,029,631	1,651,015	75,622	1,726,637
Net income	-	-	93,782	-	-	-	-	93,782	367	94,149
Comprehensive income (loss)	-	-	-	(87,416)	-	5,557	66,721	(15,138)	(271)	(15,409)
Total comprehensive income (loss)	-	-	93,782	(87,416)	-	5,557	66,721	78,644	96	78,740
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	12	12
Vesting option to employees	-	590	-	-	-	-	-	590	-	590
Transfer from revaluation in respect of sale, net	-	-	-	-	-	-	-	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	6,092	-	-	-	(6,092)	-	-	-
Balance as of September 30, 2021	<u>829,798</u>	<u>10,215</u>	<u>102,984</u>	<u>(377,687)</u>	<u>7,518</u>	<u>67,161</u>	<u>1,090,260</u>	<u>1,730,249</u>	<u>75,730</u>	<u>1,805,979</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)									
Balance as of January 1, 2020 (audited)	635,177	5,586	1,345,877	(309,640)	-	53,343	1,263,204	2,993,547	140,695	3,134,242
Net loss	-	-	(935,752)	-	-	-	-	(935,752)	(2,611)	(938,363)
Comprehensive income (loss)	-	-	-	87,472	-	2,874	(78,436)	11,910	(3,652)	8,258
Total comprehensive income (loss)	-	-	(935,752)	87,472	-	2,874	(78,436)	(923,842)	(6,263)	(930,105)
Rights issue	98,720	-	-	-	-	-	-	98,720	-	98,720
Acquisition of non-controlling interests	-	-	-	-	7,674	-	-	7,674	(46,700)	(39,026)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,812)	(3,812)
Vesting option to employees	-	2,116	-	-	-	-	-	2,116	-	2,116
Transfer from revaluation in respect of sale, net	-	-	82,771	-	-	-	(82,771)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	32,188	-	-	-	(32,188)	-	-	-
Balance as of September 30, 2020	<u>733,897</u>	<u>7,702</u>	<u>525,084</u>	<u>(222,168)</u>	<u>7,674</u>	<u>56,217</u>	<u>1,069,809</u>	<u>2,178,215</u>	<u>83,920</u>	<u>2,262,135</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)									
Balance as of January 1, 2021 (audited)	829,798	8,439	152,791	(262,941)	7,518	63,627	1,074,679	1,873,911	76,449	1,950,360
Net income (loss)	-	-	(206,708)	-	-	-	-	(206,708)	2,641	(204,067)
Comprehensive income (loss)	-	-	-	(114,746)	-	3,534	172,482	61,270	(155)	61,115
Total comprehensive income (loss)	-	-	(206,708)	(114,746)	-	3,534	172,482	(145,438)	2,486	(142,952)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,205)	(3,205)
Vesting option to employees	-	1,776	-	-	-	-	-	1,776	-	1,776
Transfer from revaluation in respect of sale, net	-	-	133,836	-	-	-	(133,836)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	23,065	-	-	-	(23,065)	-	-	-
Balance as of September 30, 2021	<u>829,798</u>	<u>10,215</u>	<u>102,984</u>	<u>(377,687)</u>	<u>7,518</u>	<u>67,161</u>	<u>1,090,260</u>	<u>1,730,249</u>	<u>75,730</u>	<u>1,805,979</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 1b)									
	(In thousands)									
Balance as of January 1, 2021 (audited)	222,109	2,259	40,897	(70,380)	2,012	17,031	287,655	501,583	20,463	522,046
Net income (loss)	-	-	(55,329)	-	-	-	-	(55,329)	707	(54,622)
Comprehensive income (loss)	-	-	-	(30,714)	-	946	46,168	16,400	(42)	16,358
Total comprehensive income (loss)	-	-	(55,329)	(30,714)	-	946	46,168	(38,929)	665	(38,264)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(858)	(858)
Vesting option to employees	-	475	-	-	-	-	-	475	-	475
Transfer from revaluation in respect of sale, net	-	-	35,823	-	-	-	(35,823)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	6,174	-	-	-	(6,174)	-	-	-
Balance as of September 30, 2021	<u>222,109</u>	<u>2,734</u>	<u>27,565</u>	<u>(101,094)</u>	<u>2,012</u>	<u>17,977</u>	<u>291,826</u>	<u>463,129</u>	<u>20,270</u>	<u>483,399</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2020		Three months ended September 30, 2020		Three months ended September 30, 2021		Nine months ended September 30, 2020		Nine months ended September 30, 2021		Convenience translation (Note 1b)
	Audited						Unaudited				Nine months ended September 30, 2021
											Unaudited
											Euro
NIS											
(In thousands)											
<u>Cash flows from operating activities:</u>											
Net income (loss)	(1,324,284)	(271,502)	94,149	(938,363)	(204,067)						(54,622)
Adjustments to reconcile net income to net cash provided by operating activities:											
Adjustments to the profit or loss items:											
Depreciation and amortization	961,137	246,356	239,105	718,598	716,241						191,713
Finance expenses, net	787,590	198,142	226,262	598,187	669,886						179,306
Group's share of losses (earnings) of companies and partnerships accounted for at equity	33,566	6,989	(8,203)	27,674	(5,552)						(1,486)
Change in liabilities for time-sharing rights, net	(706)	(196)	(184)	(529)	(512)						(137)
Change in employee benefit liabilities, net	(5,636)	(121)	291	404	(467)						(125)
Taxes on income (Tax benefit)	(274,928)	(31,720)	27,412	(209,936)	(130,062)						(34,813)
Loss (income) from impairment of property, plant and equipment	116,854	34,596	(10,101)	119,566	(71,515)						(19,142)
Share-based payment expense	2,853	731	590	2,116	1,776						475
Other income from rent concession received	(97,589)	(13,351)	(7,098)	(56,023)	(125,860)						(33,688)
Loss (gain) from change in the value of securities held for trading	16,406	(82)	652	13,925	180						48
	<u>1,539,547</u>	<u>441,344</u>	<u>468,726</u>	<u>1,213,982</u>	<u>1,054,115</u>						<u>282,151</u>
Changes in asset and liability items:											
Decrease (increase) in trade receivables	258,618	(63,861)	(125,677)	162,429	(288,754)						(77,290)
Decrease in other accounts receivable	2,159	56,454	50,777	57,643	104,662						28,014
Decrease (increase) in inventories	6,953	478	(1,998)	3,436	(5,109)						(1,368)
Decrease (increase) in long-term receivables	126,249	14,410	(29,783)	140,132	(42,848)						(11,469)
Increase (decrease) in trade payables	(55,253)	36,548	58,477	19,065	171,750						45,972
Increase (decrease) in other accounts payable	(170,608)	103,856	16,646	(86,694)	182,160						48,758
Increase in other non-current liabilities	75,940	6,162	22,275	41,630	18,236						4,881
	<u>244,058</u>	<u>154,047</u>	<u>(9,283)</u>	<u>337,641</u>	<u>140,097</u>						<u>37,498</u>
Cash paid during the period for:											
Taxes received	60,496	175	-	60,365	15,114						4,046
Taxes paid	(24,907)	(7,074)	(3,117)	(39,511)	(14,222)						(3,807)
Interest paid for leases of right-of-use assets	(598,379)	(155,382)	(198,554)	(453,778)	(504,133)						(134,939)
Other interest paid, net	(150,075)	(51,564)	(55,538)	(114,702)	(144,397)						(38,650)
	<u>(712,865)</u>	<u>(213,845)</u>	<u>(257,209)</u>	<u>(547,626)</u>	<u>(647,638)</u>						<u>(173,350)</u>
Net cash provided by (used in) operating activities	<u>(253,544)</u>	<u>110,044</u>	<u>296,383</u>	<u>65,634</u>	<u>342,507</u>						<u>91,677</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended				Convenience translation	
	December 31,		Three months ended		September 30,	
	2020		September 30,		September 30,	
	Audited		2021		2021	
	Unaudited				Unaudited	
	NIS				Euro	
	(In thousands)					
<u>Cash flows from investing activities:</u>						
Proceeds from sale of property, plant and equipment	226,391	231,081	-	231,081	299,023	80,038
Acquisitions of investments from property owners in respect of property, plant and equipment	(355,828)	(63,349)	(73,140)	(329,294)	(100,858)	(26,996)
Advance of investment in property, plant and equipment	(2,649)	(3,056)	(8,394)	(3,056)	(9,732)	(2,605)
Purchase of companies consolidated for the first time (Appendix A)	(251,404)	-	-	(251,404)	-	-
Exit from consolidation (Appendix B)	19,254	-	-	20,223	-	-
Sale and purchase of securities held for trading, net	208,512	(16,636)	(20,447)	229,065	(61,313)	(16,411)
Loans and investment in companies and partnerships accounted for at equity	(70,222)	(26,453)	(56,435)	(79,160)	(74,031)	(19,816)
Change in accounts receivable	(50,000)	-	50,000	(50,000)	50,000	13,383
Withdrawal of (placement in) designated deposit	(52,328)	(111,963)	6,582	(111,963)	3,893	1,042
Return on investment (investment) in various companies	833	(1,238)	223	(3,097)	(1,630)	(436)
Net cash provided by (used in) investing activities	(327,441)	8,386	(101,611)	(347,605)	105,352	28,199
<u>Cash flows from financing activities:</u>						
Short-term credit from banking corporations, net	(200)	1,921	(432)	11,264	168	45
Receipt of long-term loans from banking corporations and others	845,624	76,068	341	448,119	133,510	35,736
Repayment of long-term loans from banking corporations and others	(422,186)	(128,787)	(67,125)	(353,290)	(359,544)	(96,238)
Repayment of debentures	(171,963)	(66,320)	(99,194)	(104,935)	(195,254)	(52,263)
Repayment of liabilities from leases of right-of-use assets	(155,369)	(57,774)	(168,217)	(132,496)	(232,942)	(62,351)
Issue of debentures, net	759,579	245,946	-	446,573	190,667	51,035
Rights issue, net	98,720	98,720	-	98,720	-	-
Issuance of share capital (net of issuance expenses)	49,755	-	-	-	-	-
Acquisition of non-controlling interests	(38,241)	(39,026)	-	(39,026)	-	-
Net cash provided by (used in) financing activities	965,719	130,748	(334,627)	374,929	(463,395)	(124,036)
<u>Translation differences in respect of balances of cash and cash equivalents</u>						
	13,232	15,196	(30,649)	13,895	(42,745)	(11,440)
Increase (decrease) in cash and cash equivalents	397,966	264,374	(170,504)	106,853	(58,281)	(15,600)
Cash included in assets held for sale	(321)	(65)	208	(440)	(15,439)	(4,132)
Cash and cash equivalents at beginning of period	859,646	701,750	1,353,867	859,646	1,257,291	336,534
Cash and cash equivalents at end of period	1,257,291	966,059	1,183,571	966,059	1,183,571	316,802
<u>Significant non-cash activities:</u>						
Recognition of the right-of-use assets against lease liabilities	388,328	249,266	132,542	394,748	640,914	171,551
Receipt of waiver of lease payment	58,455	8,645	4,295	33,092	76,141	20,380

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2020	Three months ended September 30,		Nine months ended September 30,		Convenience translation (Note 1b)	
		Audited	2020	2021	2020	2021	Nine months ended September 30, 2021
		Unaudited				Unaudited	
		NIS				Euro	
		(In thousands)					
(a) <u>Acquisition of initially consolidated subsidiaries:</u>							
The subsidiaries' assets and liabilities at date of acquisition:							
Working capital (excluding cash and cash equivalents)	(1,798)	-	-	(1,798)	-	-	
Non-current assets	3,781	-	-	3,781	-	-	
Property, plant and equipment	(311,822)	-	-	(311,822)	-	-	
Current liabilities	1,518	-	-	1,518	-	-	
Non-current liabilities	56,917	-	-	56,917	-	-	
	<u>(251,404)</u>	<u>-</u>	<u>-</u>	<u>(251,404)</u>	<u>-</u>	<u>-</u>	
(b) <u>Exit from consolidation:</u>							
Non-current assets	<u>19,254</u>	<u>-</u>	<u>-</u>	<u>20,223</u>	<u>-</u>	<u>-</u>	

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. These financial statements have been prepared in a condensed format as of September 30, 2021 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, 2020 and for the year then ended and accompanying notes, which are included as part of the prospectus ("annual consolidated financial statements").
- b. The financial statements as of September 30, 2021 and for the nine months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 3.736) 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.
- c. The outbreak of the coronavirus and global spread of the pandemic starting in the first quarter of 2020 constitute a global macroeconomic risk, causing uncertainty regarding future economic activity around the world and the expected impacts on inflation and financial markets. The Company continuously monitors developments and in Israel and around the world in connection with the recovery from the coronavirus pandemic and assesses the effects on its business activity in Israel and Europe. Against the backdrop of travel and gathering restrictions imposed in Israel and Europe, the closure of recreational activities in Israel and Europe, and the issuance of closing orders to hotels in some of the Company's countries of operation, at the end of March 2020, the Company closed most of the hotels it operates both in Israel and in Europe, and opened some of them as from June 2020. Later on in 2020 and at the beginning of 2021, governments in Europe and Israel imposed lockdowns, with some of the Company's hotels remaining open between lockdowns in accordance with permits, demand and occupation levels. In early March 2021, following the rollout of the coronavirus vaccination campaign in Israel and the decline in morbidity rates, the Israeli economy gradually reopened, and as of the financial statements approval date, the Company reopened most of its hotels in Israel, with high occupancy rates. In Europe the vaccination campaign began in March 2021, most hotels are open and in countries with high vaccination rates, occupancy has increased in line with the removal of restrictions. Further to that stated in detail in Note 1c to the consolidated annual financial statements, regarding the actions that the Company performed and is performing for the purpose of adjusting its cash flow expenses to the material decrease in revenue compared with the situation before the outbreak of the Corona pandemic, below is an update regarding the main operations performed during and after the reporting period:
 1. Activity for receiving discounts and payment deferrals from various state authorities. In this context, it should be noted that during the nine-month period ended September 30, 2021, the Company and its subsidiaries received government participation in Europe and Israel in the amount of about NIS 500 million, which was included as a reduction in the cost of revenue in the statement of profit or loss. It should be noted that the aforementioned amount includes a grant from the German government in respect of a decrease in revenue turnover in the total amount of approximately EUR 76 million (approximately NIS 284 million). In addition, a further EUR 12 million was received from the German government after the date of the report. For further details, see Note 4e.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (Cont.)

2. Deferrals and / or reduction of rent payments in respect of some of the hotels (except the rental agreements between subsidiaries of the Company and the subsidiary - 100% - Fattal Properties Europe) which were closed due to contract frustration and force majeure - the Company received deferrals (to subsequent years) and / or waivers in connection with rents totaling approximately NIS 183 million for the period January to September 2021 and in the cumulative amount from the beginning of the crisis until the date of signing the financial statements of NIS 608 million. For details on rent reduction in the 4 hotels in London, see Note 4f.
3. Sale of hotels in Europe - during the reporting period, the Company sold (through the subsidiary) two hotels in Germany under sale and lease back transactions; the said sales generated a net inflow of approximately EUR 33 million. For further details, see Note 4c.
4. Refinancing - rescheduling some of the Company's bank credit. In this matter, it should be noted that in 2021, most Israeli and European banks that provided credit to the Company deferred certain portions of principal payments totaling approximately NIS 50 million in respect of Q1 and Q2 of 2021. For information about the expansion of a bond series of the Company during the reporting period, see Note 4d.

The Company is of the opinion that further implementation of the measures described in detail in Note 1c to the consolidated annual financial statements and as detailed above, shall help adjust its current expenses as much as possible such that they are in line with the decline in revenues in 2021 compared with the pre-crisis revenues; such measures, where they are yet to be implemented and/or completed as of report date, may increase the Company's financial sources.

In the opinion of the Management and the Board of Directors, these actions, most of which have already been completed, together with cash balance in the amount of NIS 1.1 billion, which is in the Group's possession close to the date of approval of the financial statements, along with the recovery following the vaccinations in Israel and Europe, will enable the Company to meet all its obligations, including in connection with compliance with the financial covenant set with banking corporations and bondholders in the year following the date of approval of the financial statements in a manner that will allow the gradual return to routine operations without the need for additional steps.

Naturally, this is a changing event which is not under the control of the Company and factors such as the continued spread of the corona pandemic or its cessation, the spread of various mutations of the virus, the effectiveness of vaccines against the virus and mutations, the widespread distribution of the vaccines, further outbreaks in the spreading of the epidemic, decisions by the relevant countries and authorities in Israel and abroad to renew flights to various destinations or to stop them, restriction on entry of tourists from certain countries, restrictions on movement, restrictions on gatherings or changes in demand, may affect the Company accordingly. Due to the rapid pace of development of decisions by government officials in Israel and Europe, the Company will continue to monitor developments and update its assessments accordingly.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIESa. Basis of presentation of the interim consolidated financial statements:

The interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34 ("Interim Financial Reporting"), and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

b. Initial adoption of amendments to existing financial reporting and accounting standards:1. Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16:

In August 2020, the IASB published amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts" and IFRS 16, "Leases" ("the Amendments").

The Amendments provide practical reliefs which address the financial reporting effects when benchmark Interbank Offered Rates ("IBORs") are replaced with alternative nearly Risk-Free Interest Rate (RFR).

The amendments include a practical relief to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate interest. That is, an entity is required to recognize the changes in interest rates by updating the effecting interest rate without adjusting the carrying amount of the financial instrument. The use of this practical relief requires that the transition from IBOR to RFR takes place on the basis of equal economic conditions.

In addition, the amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued when certain conditions are met.

The amendments allow also a temporary relief relate with the implementation of hedge accounting relating to the identification of hedged risk which defined as a separately identifiable component.

The amendments include disclosure additions regarding the expected reform effect on the entity's financial statements, including how the entity is managing the transition to RFRs, its progress and the risks to which it is exposed as well as qualitative information about the financial instruments that have yet to transition to RFRs.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The amendments are mandatory and effective for annual periods beginning on or after 1 January 2021. Application is retrospective. However, restating prior periods isn't required.

The Amendments had no impact on the interim financial statements of the Company.

2. Additional amendment to IFRS 16 Leases on April 2021

In May 2020, Due to Covid-19 pandemic, the IASB issued amendment to IFRS 16 Leases ("the 2020 amendment"). The purpose of the 2020 amendment is to provide practical relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. A lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. The 2020 amendment applies to lessees only.

Originally, the 2020 amendment applied only to rent concessions relating to the period up to June 30, 2021. However, the pandemic continued beyond the expected period, thus the IASB has updated that the amendment will apply to rent concessions relating to the period up to June 30, 2022 ("the 2021 amendment"). The additional criteria for implementing the 202 amendment remain unchanged.

The 2021 amendment which was published in April 2021 has been applied for annual periods beginning on April 1, 2021. Earlier application is permitted.

The company chose to apply the 2021 amendment in early application and apply it to all changes in lease payments arising from the Covid-19 pandemic and relating to the period up to June 30, 2022. Accordingly, in light of waivers of lease payments for the period of January to September 2021, the Company recognized, during the period of nine and three months ended September 30, 2021, in the amount of NIS 125,860 thousand and NIS 7,098 thousand, respectively, as other income.

c. Disclosure of IFRS standards in the period prior to their implementation:

Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors":

In February 2021, the IASB published amendment to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" ("the Amendment"). The purpose of the amendment is to introduce a new definition of the term "Accounting Estimates".

Accounting Estimates are defined as "financial amounts in the financial statements subject to measurement uncertainty" The amendment clarifies what changes in accounting estimates are and how they differ from changes in accounting policies and correction of errors.

The amendment will be applied prospectively to annual periods beginning on January 1, 2023 and applies to changes in accounting policies and accounting estimates that occur at the beginning or after that periods. Early application is permitted.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SEASONALITY OF OPERATIONS***Israel*

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

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

Europe (including UK and Ireland)

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

Mediterranean Basin

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

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

About the effects of the Corona virus on the Company's activities, see Note 1c.

NOTE 4:- SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

- a. Below is a table of the commitments of the Company during and after the reporting:

Location of property	Transaction date	Transaction type	No. of rooms	Percentage holding	Property cost annual rent	Expected date of opening / Lease period
Chester, England	June 2021	Leased	94	100%	About £ 0.8 million	October 2021
Haifa, Israel	August 2021	Owned	163	100%	About NIS 150 million	March 2022
Antwerp, Belgium	November 2021	Leased	81	100%	About € 0.8 million	Operated since acquisition date

- b. On January 24, 2021, the Company published an Offer of Purchase in which the Company addressed the holders of the Bonds (Series B) of the Company with an offer to purchase from them all the Bonds (Series B) held by them, by way of an Exchange Tender Offer in full, for Bonds (Series C) as specified in the Offer Report, at an exchange ratio of 1.085. The Exchange Tender Offer was accepted by the offerees holding 266,937,598 Bonds (Series B), accordingly and in accordance with the terms of the Exchange Tender Offer, the Company allocated 289,627,294 par value of Bonds (Series C). As a result of the Exchange Tender Offer, the Company incurred financing expenses in the income statement in the amount of approximately NIS 13 million.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- c. On February 26, 2021, two consolidated partnerships (100%) entered an undertaking with two third parties ("the Purchaser") for the sale of the LEONARDO HOTEL RESIDENZ MUNCHEN and LEONARDO HOTEL MUNCHEN CITY WEST hotels, comprising a total of 368 rooms by way of a sale and leaseback of the properties. The sale proceeds of the hotels amounted to EUR 73 million, and the transaction was completed on March 31, 2021. The net cash flow to the consolidated company (the proceeds net of repayment of a bank loan for the property and transaction costs) amounted to approximately EUR 33 million. At the same date, the rental agreements for the hotels came into force for a period of 25 years plus a 5-year option. From the date of completion of the transaction and for a period of 21 months, the rent for the hotels will amount to approximately EUR 1.78 million per year and after this period - approximately EUR 3.83 million per year. It was also agreed between the parties that the lessee (the subsidiary) will receive EUR 4 million from the purchaser for renovations and repairs in the two said hotels.
- d. On April 22, 2021, the Company made an expansion of the Bonds (Series C) by way of an allocation to the public of NIS 204,000 thousand par value of Bonds (Series C) of NIS 1,000 par value each of the Company, listed for trading, for a gross monetary consideration of NIS 192,168 thousand (before deducting issuance costs in the amount of NIS 1,501 thousand), at a price of NIS 0.942 for every NIS 1 par value. After the aforesaid allotment as well as an Exchange Tender Offer detailed in Section B above, the total Bonds (Series C) in circulation amount to NIS 999,309 thousand par value.
- e. In March 2021, the Company filed an application to receive a grant from the German government in respect of a decrease in its turnover during November-December 2020 and January-June 2021 due to the lockdowns imposed in Germany over the course of the said months. In May 2021 the application was approved, and the Company received grants at the total amount of EUR 48 million (approximately NIS 188 million). During the third quarter of 2021, the grant ceiling was expanded, and the Company received an additional grant totaling approximately EUR 40 million. A total of approximately EUR 28 million of the additional grant was received during the quarter and the balance was received after the date of the report.
- f. On December 29, 2020, a memorandum of agreement was signed between an investee (100%) and the owner of 4 hotels located in central London ("the Lessor"), which are leased to the investee for a 25-year period under lease agreements of March 2019; the memorandum of agreement was signed in connection with the formulation of a comprehensive arrangement between the parties, which includes the reduction of the lease fees, the reduction of the debt arising from credit that the Lessor received from foreign financial institutions ("the Lenders") in order to fund the purchase of the hotels, and other waivers on behalf of the Lenders - against the injection of capital by the owners and the investee, such that the investee will be conferred rights in the property companies holding the hotels. The transaction was completed in July 2021. Pursuant to the agreement, the investee paid GBP 54.5 million that will be used mainly to repay some of the existing credit in consideration for 50% of the share capital of the company holding the four hotels, and to reduce by GBP 52 million the annual lease fees in respect of the hotels over the next three years (It should be noted that the cost of the investment was mainly attributed to the liability in respect of right-of-use assets).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

As from the financial statements for the third quarter of 2021, the Company will account for this investment by the equity method, and shall include its share in the investee's results in accordance with the promote mechanism agreed upon with the partners.

- g. Further to that stated in Note 15 to the Company's consolidated annual financial statements as of December 31, 2020, regarding rating downgrade of the Company's issuer and the Bond Series B and C issued by the Company and consequently an increase of 0.5% in the annual interest rate, on November 18, 2021, Midroog announced raise of the rating of the Company's issuer and the rating of Bond Series B and C of the Company in circulation from BAA1.IL with Negative Outlook to an A3.IL rating with Stable Outlook. As a result, the annual interest rate will be reduced by 0.25% as of the date of the rating increase.
- h. Further to that stated in Note 15 to the Company's consolidated annual financial statements as of December 31, 2020, regarding rating downgrade of the issuer of the investee company Fattal Properties (Europe) Ltd. (hereinafter: "Fattal Properties") and the rating of Bond Series A, B, C, and D issued by Fattal Properties and consequently an increase of 0.5% in the annual interest rate for Bond Series A, B and C and an increase of 0.25% in the annual interest rate on Bond Series D, on November 24, 2021, Midroog announced raise of the rating of the issuer Fattal Properties and the rating of Bond Series A, C and D of Fattal Properties in circulation from A3.IL to A2.IL and Series B from an A3.IL rating with Negative Outlook to an A1.IL rating with Stable Outlook. As a result, the full annual interest rate increase mentioned above will be reduced from the date of the rating increase.
- i. Financial covenants:
1. Further to what is stated in Note 15 to the Company's consolidated annual financial statements as of December 31 2020 regarding the approval by bondholders (Series B and Series C) of a temporary waiver (through the publication date of the Company's quarterly financial statements as of March 31 2021) of the review of the Company's compliance with some of the financial covenants, the failure to comply with which gives the bondholders the right to call for the immediate repayment of the outstanding balance of the bonds, it should be noted that as from the publication date of the Company's quarterly financial statements as of June 30 2021 and through the publication date of the Company's periodic report as of December 31 2021, compliance with the financial covenants shall be carried out after excluding the EBITDA data for the first to the fourth quarters of 2020 and the first quarter of 2021, as applicable.
 2. Further to what is stated in Note 14 to the Company's consolidated annual financial statements as of December 31 2020 regarding the Company's reaching understandings with banks whereby due to the consequences of the coronavirus crisis the Company's compliance with certain financial covenants will not be reviewed through the financial statements for the first quarter of 2021, the Company obtained the said banks' consent to the effect that its compliance with the above financial covenants will not be reviewed through the financial statements for the third quarter of 2021.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Furthermore, the Company reached understandings with some of the banks whereby its compliance with the above financial covenants will not be reviewed until the end of 2021; as to the remaining banks, the Company is currently finalizing the revision of the relevant financial covenants.

3. As of the approval date of the Company's financial statements for the first quarter of 2021, the Company failed to comply with the financial covenants pertaining to updating the interest rates set in the deeds of trust, due to the fact that its shareholders' equity and/or equity to asset ratio as of March 31 2021 have decreased below the set threshold. Accordingly, the interest rate of the Company's bonds was updated in accordance with the provisions of the deeds of trusts, such that as from the publication date of the Company's financial statements for the first quarter of 2021, the Company's bonds (Series B, Series C and Series 1) shall bear annual interest of 4.5%, 3.41% and 4.25%, respectively (a 0.25% increase in annual interest compared with the interest rate prior to the updating date); the said rates will be in effect until the earlier of repayment in full of the bonds or the publication date of financial statements of the Company according to which it complies with the relevant financial covenants.

As of the publication date of the Company's financial statements for the second quarter of 2021, the Company complied with the relevant financial covenants as of June 30 2021 regarding the updating of the interest rate as described above for the Series C and Series 1 bonds; accordingly, the increase in interest rates for those series of bonds was cancelled.

j. Tax rates in the UK:

In May 2021, as part of the UK's Finance Bill, it was decided to increase the corporate tax rate from 19% to 25% as from 2023. As a result of the above, during the course of the second quarter the Company revised the value of its net deferred tax assets in connection with its UK-based assets and/or activity, and recorded a tax benefit of GBP 7.2 million (approximately NIS 32.7 million).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- FINANCIAL INSTRUMENTS

a. *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, 2020		September 30, 2020	
	Book value	Fair value	Book value	Fair value
	Audited		Unaudited	
NIS				
(In thousands)				
Loans from banking corporations and other liabilities:				
Debentures (Level 1 of the fair value hierarchy)	2,372,137	2,467,988	2,185,354	1,956,051
Fixed interest loans (Level 3 of the fair value hierarchy)	2,022,882	2,175,719	1,744,521	1,720,073
Total	4,395,019	4,643,707	3,929,875	3,676,124

	September 30, 2021		Convenience translation into Euro (Note 1b)	
	Book value	Fair value	Book value	Fair value
	Unaudited		Unaudited	
NIS				
Euro				
(In thousands)				
Loans from banking corporations and other liabilities:				
Debentures (Level 1 of the fair value hierarchy)	2,385,963	2,507,446	638,641	671,158
Fixed interest loans (Level 3 of the fair value hierarchy)	1,814,214	1,872,385	485,603	501,174
Total	4,200,177	4,379,831	1,124,244	1,172,332

It should be noted that, as of September 30, 2021, the Company had a consolidated working capital deficit (including relating to assets and liabilities held for sale) of about NIS 393 million. According to the Company's management and the Board, the above deficit does not indicate a liquidity issue as the Company has the following sources:

- Cash available to the Group close to the date the financial statements were approved of about NIS 1.1 billion.
- Receipt of grants in Europe after the balance sheet date as detailed in Note 4e above.
- Cash generated from the Company's current operations.

- b. The Company is active in the euro and pound sterling currencies, and therefore, changes in exchange rates have an effect on the shareholders' equity of the Company. It should be noted that a decrease in the exchange rates of the above currencies reduces the Company's shareholders' equity. After the balance sheet date and up to close to the date of approval of the financial statements, the Israel shekel strengthened by 4.7% against the euro and by 2.9% against the pound sterling.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- 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 6:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS							
	(In thousands)							
Year ended December 31, 2020 (audited)								
Segment revenues	709,435	674,151	498,087	61,703	(39,450)	1,903,926	-	1,903,926
Operating income before depreciation and amortization, other operating expenses and rental expenses	136,165	76,693	9,311	17,984	6,693	246,846	-	246,846
Operating income (loss) before depreciation and amortization and other operating expenses	33,685	(186,361)	(425,264)	(4,658)	(28,517)	(611,115)	854,681	243,566
Depreciation and amortization	(89,191)	(169,755)	(100,038)	(16,647)	45,276	(330,355)	(630,782)	(961,137)
Other operating expenses, net								(41,304)
Finance expenses, net								(806,771)
Group's share of losses of associate companies and partnerships accounted for at equity								(33,566)
Loss before tax benefit								(1,599,212)
Tax benefit								274,928
Loss								(1,324,284)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (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, 2020 (unaudited)								
Segment revenues	332,549	198,686	131,298	27,685	(13,649)	676,569	-	676,569
Operating income before depreciation and amortization, other operating expenses and rental expenses	132,228	37,480	(667)	12,594	(2,804)	178,831	-	178,831
Operating income (loss) before depreciation and amortization and other operating expenses	90,228	(31,683)	(130,278)	7,432	(9,257)	(73,558)	251,423	177,865
Depreciation and amortization	(22,444)	(45,030)	(26,154)	(4,245)	12,238	(85,635)	(160,721)	(246,356)
Other operating expenses, net								(206,969)
Finance expenses, net								(20,773)
Group's share of losses of associate companies and partnerships accounted for at equity								(6,989)
Loss before tax benefit								(303,222)
Tax benefit								31,720
Loss								(271,502)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (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, 2021 (unaudited)								
Segment revenues	533,364	279,716	367,841	65,085	(37,744)	1,208,262	-	1,208,262
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	205,723	198,455	140,148	33,050	(24,712)	552,664	-	552,664
Operating income (loss) before depreciation and amortization and other operating expenses	168,167	131,419	55,188	20,903	(36,084)	339,593	211,850	551,443
Depreciation and amortization	(22,563)	(37,240)	(22,889)	(4,533)	14,570	(72,655)	(166,450)	(239,105)
Other operating income, net								30,628
Finance expenses, net								(229,608)
Group's share of earnings of associate companies and partnerships accounted for at equity								8,203
Income before taxes on income								121,561
Taxes on income								(27,412)
Net income								94,149

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS							
	(In thousands)							
Nine months ended September 30, 2020 (unaudited)								
Segment revenues	636,793	567,868	418,811	45,922	(30,674)	1,638,720	-	1,638,720
Operating income before depreciation and amortization, other operating expenses and rental expenses	158,293	83,322	28,155	11,759	1,707	283,236	-	283,236
Operating income (loss) before depreciation and amortization and other operating expenses	71,577	(117,614)	(275,223)	(6,193)	(23,969)	(351,422)	631,895	280,473
Depreciation and amortization	(66,732)	(132,194)	(74,578)	(12,392)	36,067	(249,829)	(468,769)	(718,598)
Other operating expenses, net								(66,111)
Finance expenses, net								(616,389)
Group's share of losses of associate companies and partnerships accounted for at equity								(27,674)
Loss before tax benefit								(1,148,299)
Tax benefit								209,936
Loss								(938,363)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total	Convenience translation (Note 1b) Total Euro
	NIS								
	(In thousands)								
Nine months ended September 30, 2021 (unaudited)									
Segment revenues	973,916	473,388	570,138	100,324	(69,108)	2,048,658	-	2,048,658	548,356
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	322,517	358,440	146,690	49,417	(31,850)	845,214	-	845,214	226,235
Operating income (loss) before depreciation and amortization and other operating expenses	268,304	177,063	(195,532)	24,348	(63,756)	210,427	632,896	843,323	225,729
Depreciation and amortization	(66,105)	(108,300)	(68,630)	(13,256)	34,705	(221,586)	(494,655)	(716,241)	(191,713)
Finance expenses, net								(673,553)	(180,288)
Other operating income, net								206,790	55,351
Group's share of earnings of associate companies and partnerships accounted for at equity								5,552	1,486
Loss before tax benefit								(334,129)	(89,435)
Tax benefit								130,062	34,813
Loss for the period								(204,067)	(54,622)