FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2022

UNAUDITED

INDEX

- - - - - - - - -

Building a better working world

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

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, 2022 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 interim financial information of a company accounted for at equity, the investment in which amounted to NIS 49,728 thousand as of March 31, 2022 and the Company's share of their losses amounted to NIS 3,845 thousand for the three months period 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 to the financial statements regarding the uncertainty that exists due to the spread of various variants of the Coronavirus and its impact on the entire tourism and hospitality industry globally and, in particular, in the countries in which the Company operates. The Company has made adjustments to its operations in order to cope with the decrease in the volume of operations and revenues compared with the year before the start of the Corona crisis and it predicts that it can meet all its obligations in the coming years.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
May 30, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2021	March 31, 2021	March 31, 2022	Convenience translation (Note 1b) March 31, 2022
	Audited	Unaudited		Unaudited
	N I S			Euro
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	745,661	1,034,930	509,408	144,570
Securities held for trading	30,671	73,415	32,210	9,141
Trade receivables	267,091	126,304	260,036	73,798
Restricted deposit	-	6,542	-	-
Other accounts receivable	187,838	257,245	196,253	55,697
Income tax receivable	1,182	-	2,744	779
Inventories	14,881	10,653	15,070	4,277
	1,247,324	1,509,089	1,015,721	288,262
Assets held for sale	157,464	169,612	157,352	44,657
	1,404,788	1,678,701	1,173,073	332,919
NON-CURRENT ASSETS:				
Long-term receivables	79,743	77,750	79,600	22,591
Advance on Fixed Assets	41,994	33,644	49,005	13,908
Loans and Investments in companies and partnerships accounted for at equity	1,566,532	1,309,423	1,699,615	482,352
Property, plant and equipment, net	5,488,006	5,329,989	5,669,593	1,609,034
Right-of-use assets, net	11,348,750	12,413,262	11,338,985	3,218,011
Deferred taxes on right-of-use assets	364,305	277,012	383,181	108,747
Deferred taxes	139,567	182,862	179,745	51,012
Intangible assets	364,943	408,898	363,223	103,083
	19,393,840	20,032,840	19,762,947	5,608,738
	20,798,628	21,711,541	20,936,020	5,941,657

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2021	March 31, 2021	March 31, 2022	Convenience translation (Note 1b) March 31, 2022
	Audited	Unaudited	Unaudited	Unaudited
	NIS			Euro
	(In thousands)			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	365,266	305,684	359,446	102,011
Current maturities of liabilities from leases of right-of-use assets	313,820	353,647	339,641	96,390
Current maturities of debentures	268,407	230,432	316,827	89,916
Trade payables	212,792	160,400	205,813	58,410
Income tax payable	48,099	80,785	46,393	13,166
Other accounts payable	799,666	815,509	821,618	233,176
Shareholders	9,871	7,871	9,104	2,584
	2,017,921	1,954,328	2,098,842	595,653
Liabilities attributed to assets held for sale	59,454	56,508	58,586	16,627
	2,077,375	2,010,836	2,157,428	612,280
NON-CURRENT LIABILITIES:				
Loans from banks and others	2,405,737	2,786,291	2,500,398	709,615
Debentures, net	2,070,710	2,104,514	2,238,334	635,241
Liabilities from leases of right-of-use assets	11,819,905	12,832,978	11,849,005	3,362,755
Deferred taxes	321,580	215,637	313,561	88,989
Employee benefit liabilities, net	20,961	20,594	21,602	6,131
Other non-current liabilities	117,283	175,349	101,178	28,714
Shareholders	4,713	3,856	4,755	1,349
	16,760,889	18,139,219	17,028,833	4,832,794
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	829,815	829,798	830,612	235,728
Capital reserves	965,336	739,465	1,016,329	288,435
Retained earnings (losses)	91,496	(80,166)	(170,901)	(48,502)
	1,886,647	1,489,097	1,676,040	475,661
Non-controlling interests	73,717	72,389	73,719	20,922
Total equity	1,960,364	1,561,486	1,749,759	496,583
	20,798,628	21,711,541	20,936,020	5,941,657

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

May 30, 2022		
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 December 31, 2021	Three months ended March 31, 2021	Three months ended March 31, 2022	Convenience translation (Note 1b) Three months ended March 31, 2022
	Audited	Unaudited		Unaudited
	N I S			Euro
	(In thousands)			
Revenues from hospitality services and others	3,040,666	195,476	751,952	213,405
Cost of revenues	1,474,150	185,035	545,231	154,737
	1,566,516	10,441	206,721	58,668
Selling and marketing expenses	87,995	14,362	26,307	7,466
General and administrative expenses	291,978	66,238	86,817	24,639
	1,186,543	(70,159)	93,597	26,563
Hotel lease expenses	3,938	17	3,740	1,061
Operating income (loss) before depreciation and amortization and other operating expenses	1,182,605	(70,176)	89,857	25,502
Depreciation and amortization	264,540	64,485	64,078	18,185
Depreciation of revaluation of step-up	31,316	10,800	9,375	2,661
Depreciation on right-of-use assets	656,235	159,783	159,328	45,217
Other operating income , net	(269,884)	(25,419)	(14,497)	(4,114)
Operating income (loss)	500,398	(279,825)	(128,427)	(36,447)
Finance income	1,883	609	92	26
Finance expenses	(202,693)	(66,305)	(54,567)	(15,486)
Financing expenses on liabilities from leases of right-of-use assets	(660,531)	(161,864)	(158,552)	(44,997)
Group's share of losses of companies and partnerships accounted for at equity	(679)	(9,704)	(9,597)	(2,724)
Loss before tax benefit	(361,622)	(517,089)	(351,051)	(99,628)
Tax benefit	138,818	137,457	78,454	22,265
Loss for the period	(222,804)	(379,632)	(272,597)	(77,363)
Attributable to:				
Shareholders of the Company	(226,161)	(378,279)	(272,127)	(77,230)
Non-controlling interests	3,357	(1,353)	(470)	(133)
	(222,804)	(379,632)	(272,597)	(77,363)
Losses per share attributed to equity holders of the Company (in NIS)				
Basic and diluted losses per share	(14.63)	(24.47)	(17.6)	(17.6)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2021	Three months ended March 31, 2021	Three months ended March 31, 2022	Convenience translation (Note 1b) Three months ended March 31, 2022
	Audited	Unaudited		Unaudited
	N I S (In thousands)			Euro
Loss for the period	(222,804)	(379,632)	(272,597)	(77,363)
Other comprehensive income (loss) (after tax effect):				
Amounts that will not be reclassified subsequently to profit or loss:				
Actuarial income, net	8,521	-	-	-
Revaluation of properties, net	282,377	15,634	40,537	11,504
Group's share in revaluation of properties in companies and partnerships accounted for at equity	158,166	6,349	11,892	3,375
Total amounts that will not be reclassified subsequently to profit or loss	449,064	21,983	52,429	14,879
Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:				
Income (loss) in respect of cash flow hedging transaction	12,365	(9,017)	12,659	3,593
Foreign currency translation adjustments	(226,812)	(20,078)	(4,456)	(1,265)
Total amounts that will be reclassified subsequently to profit or loss	(214,447)	(29,095)	8,203	2,328
Total other comprehensive income (loss)	234,617	(7,112)	60,632	17,207
Total comprehensive income (loss)	11,813	(386,744)	(211,965)	(60,156)
Attributable to:				
Shareholders of the Company	11,051	(385,410)	(211,977)	(60,159)
Non-controlling interests	762	(1,334)	12	3
	11,813	(386,744)	(211,965)	(60,156)

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, 2022 (audited)	829,815	10,107	91,496	(493,170)	7,518	75,992	1,364,889	1,886,647	73,717	1,960,364
Loss for the period	-	-	(272,127)	-	-	-	-	(272,127)	(470)	(272,597)
Other comprehensive income (loss)	-	-	-	(6,638)	-	12,659	54,129	60,150	482	60,632
Total comprehensive income (loss)	-	-	(272,127)	(6,638)	-	12,659	54,129	(211,977)	12	(211,965)
Exercise of stock options	38	(38)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	759	-	-	-	-	-	-	759	-	759
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(10)	(10)
Vesting option to employees	-	611	-	-	-	-	-	611	-	611
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	9,730	-	-	-	(9,730)	-	-	-
Balance as of March 31, 2022	830,612	10,680	(170,901)	(499,808)	7,518	88,651	1,409,288	1,676,040	73,719	1,749,759

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									
	Convenience translation into Euro (Note 1b) (In thousands)									
Balance as of January 1, 2022 (audited)	235,502	2,868	25,967	(139,962)	2,134	21,567	387,356	535,432	20,922	556,354
Loss for the period	-	-	(77,230)	-	-	-	-	(77,230)	(133)	(77,363)
Other comprehensive income (loss)	-	-	-	(1,884)	-	3,593	15,362	17,071	136	17,207
Total comprehensive income (loss)	-	-	(77,230)	(1,884)	-	3,593	15,362	(60,159)	3	(60,156)
Exercise of stock options	11	(11)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	215	-	-	-	-	-	-	215	-	215
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3)	(3)
Vesting option to employees	-	173	-	-	-	-	-	173	-	173
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	2,761	-	-	-	(2,761)	-	-	-
Balance as of March 31, 2022	235,728	3,030	(48,502)	(141,846)	2,134	25,160	399,957	475,661	20,922	496,583

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
	NIS (In thousands)									
Balance as of January 1, 2021	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)	-	-	(226,161)	-	-	-	-	(226,161)	3,357	(222,804)
Other comprehensive income (loss)	-	-	-	(230,229)	-	12,365	455,076	237,212	(2,595)	234,617
Total comprehensive income (loss)	-	-	(226,161)	(230,229)	-	12,365	455,076	11,051	762	11,813
Exercise of stock options	17	(17)	-	-	-	-	-	-	-	-
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,494)	(3,494)
Vesting option to employees	-	1,685	-	-	-	-	-	1,685		1,685
Transfer from revaluation in respect of sale, net	-	-	133,836	-	-	-	(133,836)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	31,030	-	-	-	(31,030)	-	-	-
Balance as of December 31, 2021	829,815	10,107	91,496	(493,170)	7,518	75,992	1,364,889	1,886,647	73,717	1,960,364

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, 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
Loss for the period	-	-	(378,279)	-	-	-	-	(378,279)	(1,353)	(379,632)
Other comprehensive income (loss)	-	-	-	(20,774)	-	(9,017)	22,660	(7,131)	19	(7,112)
Total comprehensive income (loss)	-	-	(378,279)	(20,774)	-	(9,017)	22,660	(385,410)	(1,334)	(386,744)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(2,726)	(2,726)
Vesting option to employees	-	596	-	-	-	-	-	596	-	596
Transfer from revaluation in respect of sale, net	-	-	135,145	-	-	-	(135,145)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	10,177	-	-	-	(10,177)	-	-	-
Balance as of March 31, 2021	829,798	9,035	(80,166)	(283,715)	7,518	54,610	952,017	1,489,097	72,389	1,561,486

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2021	Three months ended March 31, 2021	Three months ended March 31, 2022	Convenience translation (Note 1b) Three months ended March 31, 2022
	Audited	Unaudited		Unaudited
	N I S			Euro
	(In thousands)			
Cash flows from operating activities:				
Loss for the period	(222,804)	(379,632)	(272,597)	(77,363)
Adjustments to reconcile net income to net cash provided by operating activities:				
Adjustments to the profit or loss items:				
Depreciation and amortization	952,091	235,068	232,781	66,063
Finance expenses, net	855,298	224,323	212,496	60,308
Group's share of losses of companies and partnerships accounted for at equity	679	9,704	9,597	2,724
Change in liabilities for time-sharing rights, net	(666)	(89)	(144)	(41)
Change in employee benefit liabilities, net	8,938	(479)	637	181
Tax benefit	(138,818)	(137,457)	(78,454)	(22,265)
Loss (gain) from impairment of fixed assets	(95,597)	(2,740)	788	224
Share-based payment expense	1,685	596	611	173
Other income from rent concession received	(165,547)	(28,983)	(20,686)	(5,871)
Loss (gain) from a change in the value of securities held for trading	(3,148)	(6)	1,004	285
	1,414,915	299,937	358,630	101,781
Changes in asset and liability items:				
Decrease (increase) in trade receivables	(183,792)	(36,462)	6,842	1,942
Decrease (increase) in other accounts receivable	16,591	6,259	(11,269)	(3,198)
Decrease (increase) in inventories	(5,321)	161	(183)	(52)
Increase in long-term receivables	(92,440)	(6,587)	(5,922)	(1,681)
Increase (decrease) in trade payables	71,263	17,093	(10,802)	(3,066)
Increase (decrease) in other accounts payable	120,015	114,926	(9,025)	(2,561)
Increase (decrease) in other non-current liabilities	30,048	(23,216)	11,259	3,195
	(43,636)	72,174	(19,100)	(5,421)
Cash paid during the period for:				
Taxes received	15,114	-	-	-
Taxes paid	(22,260)	(7,236)	(11,321)	(3,213)
Interest paid for leases of right-of-use assets	(590,116)	(156,148)	(150,112)	(42,602)
Other interest paid, net	(177,653)	(51,729)	(54,887)	(15,577)
	(774,915)	(215,113)	(216,320)	(61,392)
Net cash provided by (used in) operating activities	373,560	(222,634)	(149,387)	(42,395)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2021	Three months ended March 31, 2021	Three months ended March 31, 2022	Convenience translation (Note 1b) Three months ended March 31, 2022
	Audited	Unaudited		Unaudited
	NIS			Euro
	(In thousands)			
Cash flows from investing activities:				
Proceeds from sale of fixed assets	307,425	285,627	-	-
Purchase of property, plant and equipment, net	(273,463)	3,721	(196,871)	(55,872)
Advance of investment in fixed assets	(11,478)	(1,751)	(7,171)	(2,035)
Tax paid for the disposal of fixed assets in the past	(54,615)	-	-	-
Sale and purchase of securities held for trading, net	8,176	(37,710)	(2,543)	(722)
Loans and Investment in companies and partnerships accounted for at equity	(118,260)	(6,186)	(115,386)	(32,747)
Change in accounts receivable	50,000	-	-	-
Withdrawal of (placement in) designated deposit	3,748	(7,531)	(5)	(1)
Investment in various companies	(6,940)	(4,482)	(5,517)	(1,566)
Net cash provided by (used in) investing activities	(95,407)	231,688	(327,493)	(92,943)
Cash flows from financing activities:				
Short-term credit from banking corporations, net	1,744	-	5,018	1,424
Receipt of long-term loans from banking corporations and others	130,009	97,052	215,664	61,206
Repayment of long-term loans from corporations and others	(441,436)	(220,525)	(141,207)	(40,075)
Repayment of debentures	(240,044)	(51,269)	(75,717)	(21,489)
Repayment of liabilities from leases of right-of-use assets	(343,655)	(35,807)	(58,441)	(16,586)
Issue of debentures, net	190,667	-	289,767	82,236
Net cash provided by (used in) financing activities	(702,715)	(210,549)	235,084	66,716
Translation differences in respect of balances of cash and cash equivalents	(71,501)	(5,556)	5,202	1,476
Decrease in cash and cash equivalents	(496,063)	(207,051)	(236,594)	(67,146)
Cash included in assets held for sale	(15,567)	(15,310)	341	97
Cash and cash equivalents at beginning of period	1,257,291	1,257,291	745,661	211,619
Cash and cash equivalents at end of period	745,661	1,034,930	509,408	144,570
Material non-cash activity:				
Purchase of properties, plant and equipment	8,725	-	-	-
Recognition of the right-of-use assets against lease liabilities	734,962	452,418	75,049	21,299
Receipt of waiver of lease payment	100,150	17,809	12,514	3,551

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

NOTE 1: - GENERAL

a. These financial statements have been prepared in a condensed format as of March 31, 2022 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, 2021 and for the year then ended and accompanying notes ("annual consolidated financial statements").

b. The financial statements as of March 31, 2022 and for the three months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 3.5236) 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 As of the date of signing the statements, the global market is in a general trend of recovering from the Corona crisis. Most of the restrictions imposed in Israel and Europe have been removed and at the same time demand and bookings are rising, which are affected, among other things, by the removal of the restriction on tourists entering countries. As of the date of approval of these financial statements, all of the Company's hotels are open and available to guests.

At the same time, the Corona pandemic still poses a global macroeconomic risk and instils uncertainty as to future economic activity in the world and the expected effects on inflation and financial markets. The potential for further damage from the Corona pandemic to growth and the global economy depends on further outbreaks of the virus and the degree of speed and the ability to deal with them. The Corona pandemic and restrictions on movement and gatherings (including international transport restrictions) have already led to significant damage to the tourism industry in the years 2020 and 2021. Therefore, in the Company's opinion, the recurrence of the outbreak of waves of morbidity of different variants, both worldwide and in Israel, may have a material adverse effect on the activities of companies in many fields, including activities related to tourism - and damage and / or a significant decrease in the said scope of activity may be significantly adverse to companies in the hotel field. The company has made adjustments to its operations in order to cope with the decrease in the volume of operations and revenues compared with the year before the start of the Corona crisis and it is of the opinion that it can meet all its obligations in the coming years.

NOTE 2- : SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 2- : SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

1. Amendment to IAS 16, "Property, Plant and Equipment":

In May 2020, the IASB issued an amendment to IAS 16, "Property, Plant and Equipment" ("the Amendment"). The Amendment prohibits a company from deducting from the cost of property, plant and equipment ("PP&E") consideration received from the sales of items produced while the company is preparing the asset for its intended use. Instead, the company should recognize such consideration and related costs in profit or loss .

The Amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Amendment is to be applied retrospectively, but only to items of PP&E made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the Amendment.

The cumulative effect of initially applying the Amendment is recognized as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

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

2. Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment").

According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. The application of the Amendment does not require the restatement of comparative data. Instead the opening balance of retained earnings on the date of initial application date is adjusted for the cumulative effect of the Amendment.

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

NOTE 2- : SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Amendments to IFRS 3, "Business Combinations":

   In May 2020, the IASB issued Amendments to IFRS 3, "Business Combinations – Reference to the Conceptual Framework", which are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements.

   The IASB added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

   The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine at the acquisition date whether as a result of a past event, a present obligation exists or whether the event that creates an obligation to pay the levy occurred by the acquisition date.

   The Amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

   The Amendments are applied prospectively for annual reporting periods beginning on or after January 1, 2022 .

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

4. Annual improvements to IFRSs 2018-2020:

   In May 2020, the IASB issued certain amendments in the context of the Annual Improvements to IFRSs 2018-2020 Cycle. The main amendment is to IFRS 9, "Financial Instruments" ("the Amendment"). The Amendment clarifies which fees a company should include in the "10% test" described in paragraph B3.3.6 of IFRS 9 when assessing whether the terms of a debt instrument that has been modified or exchanged are substantially different from the terms of the original debt instrument.

   According to the Amendment, fees paid net of any fees received that are included in the cash flows are only those fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

   The Amendment is effective for annual periods beginning on or after January 1, 2022. The Amendment is applied to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the Amendment, that is from January 1, 2022.

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 1(c).

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 (100%)/ Annual rent	Expected date of opening / Lease period
Ein Gev, Israel	January, 2022	Owned 50% Leased 100%	120	100%	About NIS 75 million	2025
Eilat, Israel	May, 2022	Owned 50% Leased 100%	208	100%	About NIS 85 million	2025

(*) For further details regarding purchasing the two hotels in Spain, see Note e.

b. In December 2018, Fattal Properties (Europe) Ltd., which is 100% owned indirectly by the Company (hereinafter - "Fattal Properties (Europe)") entered into an agreement with a third party for the future purchase of a hotel, according to which, subject to the fulfillment of agreed conditions precedent, the developer will build a hotel in Manchester, England that will include 275 rooms that will be sold for a total of approximately GBP 37 million (including related transaction costs). In April 2022, the construction of the hotel was completed, purchase transaction was completed and the hotel opened for activity. The completion of the transaction was funded from Fattal Properties (Europe) own sources and it is working to obtain external financing.

c. Fattal Properties (Europe) is working to expand the Jurys Inn Edinburgh hotel, establishing a new NYX hotel and a number of residential and commercial units next to it. In April 2022, a subsidiary of Fattal Properties (Europe) entered into a financing agreement with the banking corporation that provided the financing for the hotel, for the receipt of financing totaling up to GBP 60 million for the repayment of the existing debt (the balance of which at the date of the statements is about GBP 25 million) and also for the purpose of financing most of the expansion costs, the construction of the new hotel, residential and commercial units (a total of about GBP 35 million).

d. On January 5, 2022, the Company made an extension of the Bond Series (Series C) by way of a private allotment to investors of NIS 300,000 thousand par value of Bonds (Series C) of NIS 1 nominal value each of the Company, listed for trading, for a gross monetary consideration of NIS 291,600 thousand (before deducting issue costs in the amount of approximately NIS 2 million), at a price of NIS 0.972 for every NIS 1 par value.

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

e. During the first quarter, Fattal Properties (Europe) considered setting up a venture together with institutional entities for the purpose of investment in hotels in Europe. Accordingly, in April 2022, Fattal Properties (Europe) completed the establishment of the venture by establishing an Israeli partnership, FATTAL EUROPEAN PARTNERSHIP II LP (hereinafter - the "Partnership"), which will work to identify investment opportunities in hotels in Europe, whether by purchasing and improving existing hotels or by establishment of new hotels, with their day-to-day operation and their sale as long as the Partnership deems it appropriate in accordance with the established investment strategy. The Partnership intends to raise up to about EUR 400 million, while at the time of its establishment, investment commitments had been received for approximately EUR 315 million and the Partnership is working to recruit additional investors. Menora Mivtachim Holdings Ltd. (hereinafter - "Menora Mivtachim") undertook to invest up to EUR 100 million in the venture, Harel Investments in Insurance and Financial Services Ltd. (hereinafter - "Harel Insurance") undertook to invest up to EUR 100 million in the venture, Leumi Partners (hereinafter - "Leumi Partners") undertook to invest about EUR 15 million in the project and the balance in the amount of up to EUR 100 million the Company undertook to invest in the venture. The obligation of the institutional bodies to invest is subject to the regulatory provisions that apply to them. In accordance with the partnership documents, it has been determined that FATTAL EUROPEAN PARTNERSHIP II GP (a wholly owned partnership of Fattal Properties (Europe)) is the General Partner (GP), and the above partners (including Fattal Properties (Europe)) are Limited Partners (LP). It was also agreed that the day-to-day operational management of the hotels maintained by the Partnership would be carried out by Fattal Hotels Ltd, which is 100% owned indirectly by the Company, (hereinafter - "Fattal Hotels") in accordance with the management agreement that shall be signed between each hotel (when purchased) and Fattal Hotels (in exchange for an annual fee of 2% of each hotel's revenue turnover plus an incentive fee of 14% of the total operating profit (NOP) as defined in each hotel's agreement). Each year, before paying the incentive fee to Fattal Hotels for managing the hotels, the Partnership shall distribute an amount equal to 5% of the shareholders' equity of the investment that has not yet been repaid cumulatively to all hotels (and if not actually paid in a particular year, it will accrue in nominal terms for the following year), subject to the terms set out in the partnership agreement. It should be noted that in accordance with the partnership agreement, it was determined that a special approvals committee will be established, which will be composed of representatives of the largest investors (including a Fattal representative) (each representative will have one vote in the committee) which will have the power to make decisions (by a simple majority or a special majority as stipulated in the partnership agreement) on various issues related to the partnership, including strategic and financial decisions, such as the annual budget prepared by Fattal Hotels or the General Partner, CAPEX expenses, taking up of debt and more, with everything as defined in the agreement. Pursuant to the aforementioned, the Company will report its investment in the Partnership in accordance with the equity method.

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

As of the date of publication of the financial statements, Fattal Properties (Europe) has purchased (in trust for the Partnership that was then in the stages of establishment) two hotels for a total amount of approximately EUR 31 million, which are reported in the section "Investments in companies and partnerships" presented in accordance with the equity method. Shortly after the establishment of the Partnership, a first call was made for money (a total of about EUR 35 million), of which about NIS 17 million was transferred back to Fattal Properties (Europe) (net offsetting Fattal Properties (Europe) share of investment in the call for money) for the two hotels to be transferred to the Partnership.

f. During 2020, following the Corona crisis, a subsidiary company in Germany, which operates the hotels and is 100% owned indirectly by the Company, received a loan of EUR 60 million from a banking corporation guaranteed by the German government. As of March 31, 2022, due to the Omicron wave, the subsidiary company did not meet the required standard in the loan agreement with the bank in relation to the operating results as assessed at the time of taking the loan. The balance of the loan as of March 31, 2022, is about EUR 54 million. Fattal Hotels guaranteed the total loan received. It should be noted that in accordance with the loan agreement, the bank cannot demand immediate repayment of the loan, but only after negotiations have taken place with the Company and no agreements have been reached, all in accordance with the mechanism set forth in the loan agreement. In the Company's estimation, based on the fact that the loan was granted in connection with the Corona crisis, the non-compliance occurred following the Omicron wave and the improvement in the subsidiary company's expected operating results for the second quarter, the subsidiary company and the banking corporation will reach agreements.

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:

	March 31, 2021		December 31, 2021	
	Book value	Fair value	Book value	Fair value
	Unaudited		Audited	
	N I S (In thousands)			
Loans from banking corporations and other liabilities				
Debentures (Level 1 of the fair value hierarchy)	(*) 2,347,753	2,478,349	(*) 2,365,159	2,534,421
Fixed interest loans (Level 3 of the fair value hierarchy)	1,907,083	2,041,833	1,715,190	1,762,072
Total	4,254,836	4,520,182	4,080,349	4,296,493

			Convenience translation into Euro (note 1b)	
	Book value	Fair value	Book value	Fair value
	March 31, 2022		March 31, 2022	
	Unaudited			
	NIS (In thousands)		Euro (In thousands)	
Loans from banking corporations and other liabilities				
Debentures (Level 1 of the fair value hierarchy)	(*) 2,578,100	2,754,111	(*) 731,666	781,619
Fixed interest loans (Level 3 of the fair value hierarchy)	1,729,699	1,741,490	490,890	494,236
Total	4,307,799	4,495,601	1,222,556	1,275,855

(*) Including interest payable.

It should be noted that, as at March 31, 2022, the Company had a consolidated working capital deficit (including relating to assets and liabilities held for sale) of about NIS 984 million. According to the Company's Management and the Board of Directors, the above deficit does not indicate a liquidity issue as the Company has the following sources:

- Cash available to the Group close to the date the financial statements were approved of about NIS 0.5 billion.
- Receiving financing for unfunded properties and additional properties that were purchased with external financing when the bulk of this external financing has already been repaid and the Company is working to raise external financing for these hotels.
- Cash generated from the Company's current operations.

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.

NOTE 6: - OPERATING SEGMENTS (cont.):

	Israel	Abroad, mainly Germany	UK and Ireland	Other	Adjustments to financial reporting (No adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total	Convenience translation (Note 1b) Total
	N I S in thousands								Euro
Three months ended March 31, 2022 (unaudited):									
Segment revenues	255,895	201,271	286,053	29,108	(20,375)	751,952	-	751,952	213,405
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	21,917	5,145	59,802	9,963	(3,230)	93,597	-	93,597	26,563
Operating income (loss) before depreciation and amortization and other operating expenses	(2,375)	(75,700)	(49,753)	2,845	(12,270)	(137,253)	227,110	89,857	25,502
Depreciation and amortization	(22,871)	(34,341)	(22,828)	(5,394)	11,981	(73,453)	(159,328)	(232,781)	(66,063)
Other operating income, net								14,497	4,114
Finance expenses, net								(213,027)	(60,457)
Group's share of losses of associate companies and partnerships accounted for at equity								(9,597)	(2,724)
Loss before tax benefit								(351,051)	(99,628)
Tax benefit								78,454	22,265
Loss for the period								(272,597)	(77,363)

NOTE 6: - OPERATING SEGMENTS (cont.):

	Israel	Abroad, mainly Germany	UK and Ireland	Other	Adjustments to financial reporting (No adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	N I S in thousands							
Three months ended March 31, 2021 (unaudited):								
Segment revenues	83,844	65,790	42,326	9,992	(6,476)	195,476	-	195,476
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	(15,369)	(31,328)	(26,416)	1,923	1,031	(70,159)	-	(70,159)
Operating income (loss) before depreciation and amortization and other operating expenses	(37,581)	(101,007)	(157,622)	(3,983)	(7,699)	(307,892)	237,716	(70,176)
Depreciation and amortization	(21,981)	(38,254)	(22,204)	(4,341)	11,495	(75,285)	(159,783)	(235,068)
Other operating income, net								25,419
Finance expenses, net								(227,560)
Group's share of losses of associate companies and partnerships accounted for at equity								(9,704)
Loss before tax benefit								(517,089)
Tax benefit								137,457
Loss for the period								(379,632)

NOTE 6: - OPERATING SEGMENTS (cont.):

	Year ended December 31, 2021							
	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)							
Segment revenues	1,315,830	768,156	928,898	137,630	(109,848)	3,040,666	-	3,040,666
Operating income before depreciation and amortization, other operating expenses and rental expenses	403,694	478,501	275,444	66,551	(37,647)	1,186,543	-	1,186,543
Operating income (loss) before depreciation and amortization and other operating expenses	324,033	229,308	(133,774)	32,378	(75,938)	376,007	806,598	1,182,605
Depreciation and amortization	(89,818)	(142,674)	(91,871)	(18,179)	46,686	(295,856)	(656,235)	(952,091)
Other operating income, net								269,884
Finance expenses, net								(861,341)
Group's share of losses of associate companies and partnerships accounted for at equity								(679)
Loss before tax benefit								(361,622)
Tax benefit								138,818
Loss								(222,804)

- -