

FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

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 June 30, 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six 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 299,153 thousand as of June 30, 2022 and the Company's share of their losses amounted to NIS 5,678 and NIS 1,923 thousand for the six and 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 regarding the uncertainty that exists due to the spread of the Coronavirus which has led to a crisis in the markets in general and to an almost complete cessation of activities during 2021 in the entire tourism and hospitality industry globally and, in particular, in the countries in which the Company operates and on the other hand the beginning of a recovery trend starting in March 2022. Also, we draw attention to the matter discussed in Note 4f regarding agreements with the bondholders (Series B and C) and bank corporations regarding the financial covenants. 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
August 24, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	June 30,		Convenience translation (Note 1b)
	2021	2021	2022	June 30, 2022
	Audited	Unaudited		Unaudited
	N I S in thousands			Euro
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	745,661	1,353,867	581,751	159,980
Securities held for trading	30,671	77,037	35,688	9,814
Trade receivables	267,091	252,124	460,526	126,643
Restricted deposit	-	6,548	-	-
Other accounts receivable	187,838	242,096	196,332	53,991
Income tax receivable	1,182	-	4,842	1,332
Inventories	14,881	13,794	17,814	4,899
	<u>1,247,324</u>	<u>1,945,466</u>	<u>1,296,953</u>	<u>356,659</u>
Assets held for sale	<u>157,464</u>	<u>156,940</u>	<u>154,854</u>	<u>42,584</u>
	<u>1,404,788</u>	<u>2,102,406</u>	<u>1,451,807</u>	<u>399,243</u>
NON-CURRENT ASSETS:				
Long-term receivables	79,743	73,601	77,939	21,433
Advance on Fixed Assets	41,994	33,231	15,160	4,169
Loans and Investments in companies and partnerships accounted for at equity	(*) 1,790,195	1,347,826	2,061,336	566,862
Property, plant and equipment, net	5,488,006	5,364,483	6,050,491	1,663,868
Right-of-use assets, net	(*) 11,145,420	12,176,384	11,312,465	3,110,897
Deferred taxes on right-of-use assets	364,305	321,373	413,352	113,671
Deferred taxes	139,567	188,853	202,595	55,713
Intangible assets	364,943	402,948	365,047	100,387
	<u>19,414,173</u>	<u>19,908,699</u>	<u>20,498,385</u>	<u>5,637,000</u>
	<u>20,818,961</u>	<u>22,011,105</u>	<u>21,950,192</u>	<u>6,036,243</u>

(*) Reclassified (see Note 4G)

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

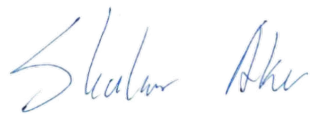
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	June 30,		Convenience translation (Note 1b)
	2021	2021	2022	June 30, 2022
	Audited	Unaudited		Unaudited
	NIS in thousands			Euro
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	365,266	347,325	376,174	103,447
Current maturities of liabilities from leases of right-of-use assets	313,820	411,091	363,873	100,064
Current maturities of debentures	268,407	248,792	334,827	92,077
Trade payables	212,792	255,392	297,870	81,913
Income tax payable	48,099	104,141	40,616	11,169
Other accounts payable	799,666	840,791	961,264	264,344
Shareholders	9,871	8,739	8,174	2,248
	2,017,921	2,216,271	2,382,798	655,262
Liabilities attributed to assets held for sale	59,454	56,984	54,654	15,030
	2,077,375	2,273,255	2,437,452	670,292
NON-CURRENT LIABILITIES:				
Loans from banks and others	2,405,737	2,698,920	2,753,293	757,148
Debentures, net	2,070,710	2,232,918	2,158,991	593,717
Liabilities from leases of right-of-use assets	11,840,238	12,632,934	12,122,310	3,333,602
Deferred taxes	321,580	244,068	356,002	97,900
Employee benefit liabilities, net	20,961	20,283	22,601	6,215
Other non-current liabilities	117,283	176,958	82,226	22,612
Shareholders	4,713	5,132	3,086	849
	16,781,222	18,011,213	17,498,509	4,812,043
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	829,815	829,798	848,004	233,198
Capital reserves	965,336	818,107	1,145,211	314,931
Retained earnings	91,496	3,110	(55,372)	(15,228)
	1,886,647	1,651,015	1,937,843	532,901
Non-controlling interests	73,717	75,622	76,388	21,007
Total equity	1,960,364	1,726,637	2,014,231	553,908
	20,818,961	22,011,105	21,950,192	6,036,243

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

August 24, 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

						Convenience translation (Note 1b)
						Six months ended June 30,
	Year ended December 31,	Three months ended June 30,		Six months ended June 30,		2022
	2021	2021	2022	2021	2022	2022
Audited	Unaudited				Unaudited	
N I S un thousands						
Euro						
Revenues from hospitality services and others	3,040,666	644,920	1,507,194	840,396	2,259,146	621,260
Cost of revenues	1,474,150	211,555	798,422	396,590	1,343,653	369,501
	<u>1,566,516</u>	<u>433,365</u>	<u>708,772</u>	<u>443,806</u>	<u>915,493</u>	<u>251,759</u>
Selling and marketing expenses	87,995	19,578	33,270	33,940	59,577	16,384
General and administrative expenses	291,978	51,078	112,334	117,316	199,151	54,766
	<u>1,186,543</u>	<u>362,709</u>	<u>563,168</u>	<u>292,550</u>	<u>656,765</u>	<u>180,609</u>
Hotel lease expenses	3,938	653	17,075	670	20,815	5,724
Operating income before depreciation and amortization and other operating income, net	1,182,605	362,056	546,093	291,880	635,950	174,885
Depreciation and amortization	264,540	66,848	70,435	131,333	134,513	36,991
Depreciation of revaluation of step-up	31,316	6,798	7,332	17,598	16,707	4,594
Depreciation on right-of-use assets	656,235	168,422	163,596	328,205	322,924	88,803
Other operating income , net	(269,884)	(150,743)	(1,724)	(176,162)	(16,221)	(4,460)
Operating income (loss)	<u>500,398</u>	<u>270,731</u>	<u>306,454</u>	<u>(9,094)</u>	<u>178,027</u>	<u>48,957</u>
Finance income	1,883	510	9	1,119	101	28
Finance expenses	(202,693)	(49,093)	(51,354)	(115,398)	(105,921)	(29,128)
Financing expenses on liabilities from leases of right-of-use assets	(660,531)	(167,802)	(160,843)	(329,666)	(319,395)	(87,833)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	(679)	7,053	(4,635)	(2,651)	(14,232)	(3,914)
Income (loss) before tax benefit	(361,622)	61,399	89,631	(455,690)	(261,420)	(71,890)
Tax benefit	138,818	20,017	18,903	157,474	97,357	26,773
Net income (loss)	<u>(222,804)</u>	<u>81,416</u>	<u>108,534</u>	<u>(298,216)</u>	<u>(164,063)</u>	<u>(45,117)</u>
Attributable to:						
Shareholders of the Company	(226,161)	77,789	107,407	(300,490)	(164,720)	(45,298)
Non-controlling interests	3,357	3,627	1,127	2,274	657	181
	<u>(222,804)</u>	<u>81,416</u>	<u>108,534</u>	<u>(298,216)</u>	<u>(164,063)</u>	<u>(45,117)</u>
<u>Net earnings (loss) per share attributed to equity holders of the Company (in NIS)</u>						
Basic net earnings (loss) per share	<u>(14.63)</u>	<u>5.03</u>	<u>6.93</u>	<u>(19.43)</u>	<u>(10.64)</u>	<u>(10.64)</u>
Diluted net earnings (loss) per share	<u>(14.63)</u>	<u>4.87</u>	<u>6.53</u>	<u>(19.43)</u>	<u>(10.64)</u>	<u>(10.64)</u>

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 June 30, 2021		Six months ended June 30, 2021		Convenience translation (Note 1b)
	Audited		Unaudited		Unaudited		Six months ended June 30, 2022
							Unaudited
			NIS un thousands				Euro
Net income (loss)	(222,804)	81,416	108,534	(298,216)	(164,063)	(45,117)	
Other comprehensive income (loss) (after tax effect):							
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>							
Actuarial loss, net	8,521	-	-	-	-	-	
Revaluation of properties, net	282,377	57,469	57,810	73,103	98,347	27,045	
Group's share in revaluation of properties in companies and partnerships accounted for at equity	158,166	23,322	21,992	29,671	33,884	9,318	
Total amounts that will not be reclassified subsequently to profit or loss	449,064	80,791	79,802	102,774	132,231	36,363	
<u>Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:</u>							
Income (loss) in respect of cash flow hedging transaction	12,365	6,994	(5,455)	(2,023)	7,204	1,980	
Foreign currency translation adjustments	(226,812)	(4,149)	64,045	(24,227)	59,589	16,387	
Total amounts that will be reclassified subsequently to profit or loss	(214,447)	2,845	58,590	(26,250)	66,793	18,367	
Total other comprehensive income	234,617	83,636	138,392	76,524	199,024	54,730	
Total comprehensive income (loss)	11,813	165,052	246,926	(221,692)	34,961	9,613	
Attributable to:							
Shareholders of the Company	11,051	161,328	244,053	(224,082)	32,076	8,820	
Non-controlling interests	762	3,724	2,873	2,390	2,885	793	
	11,813	165,052	246,926	(221,692)	34,961	9,613	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of January 1, 2022 (audited)</u>	829,815	10,107	91,496	(493,170)	7,518	75,992	1,364,889	1,886,647	73,717	1,960,364
Net income (loss)	-	-	(164,720)	-	-	-	-	(164,720)	657	(164,063)
Comprehensive income (loss)	-	-	-	65,166	-	7,204	124,426	196,796	2,228	199,024
Total comprehensive income (loss)	-	-	(164,720)	65,166	-	7,204	124,426	32,076	2,885	34,961
Issuance of share	220	(220)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	17,969	-	-	-	-	-	-	17,969	-	17,969
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(214)	(214)
Vesting option to employees	-	1,151	-	-	-	-	-	1,151	-	1,151
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	17,852	-	-	-	(17,852)	-	-	-
<u>Balance as of June 30, 2022</u>	<u>848,004</u>	<u>11,038</u>	<u>(55,372)</u>	<u>(428,004)</u>	<u>7,518</u>	<u>83,196</u>	<u>1,471,463</u>	<u>1,937,843</u>	<u>76,388</u>	<u>2,014,231</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)									
<u>Balance as of January 1, 2022 (audited)</u>	228,197	2,779	25,161	(135,620)	2,067	20,898	375,341	518,823	20,273	539,096
Net income (loss)	-	-	(45,298)	-	-	-	-	(45,298)	181	(45,117)
Comprehensive income (loss)	-	-	-	17,920	-	1,981	34,217	54,118	612	54,730
Total comprehensive income (loss)	-	-	(45,298)	17,920	-	1,981	34,217	8,820	793	9,613
Issuance of share	60	(60)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	4,941	-	-	-	-	-	-	4,941	-	4,941
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(59)	(59)
Vesting option to employees	-	317	-	-	-	-	-	317	-	317
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	4,909	-	-	-	(4,909)	-	-	-
<u>Balance as of June 30, 2022</u>	<u>233,198</u>	<u>3,036</u>	<u>(15,228)</u>	<u>(117,700)</u>	<u>2,067</u>	<u>22,879</u>	<u>404,649</u>	<u>532,901</u>	<u>21,007</u>	<u>553,908</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Attributable to shareholders of the Company									
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of January 1, 2021 (audited)</u>	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)	-	-	(300,490)	-	-	-	-	(300,490)	2,274	(298,216)
Comprehensive income (loss)	-	-	-	(27,330)	-	(2,023)	105,761	76,408	116	76,524
Total comprehensive income (loss)	-	-	(300,490)	(27,330)	-	(2,023)	105,761	(224,082)	2,390	(221,692)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,217)	(3,217)
Vesting option to employees	-	1,186	-	-	-	-	-	1,186	-	1,186
Transfer from revaluation in respect of sale, net	-	-	133,836	-	-	-	(133,836)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	16,973	-	-	-	(16,973)	-	-	-
<u>Balance as of June 30, 2021</u>	<u>829,798</u>	<u>9,625</u>	<u>3,110</u>	<u>(290,271)</u>	<u>7,518</u>	<u>61,604</u>	<u>1,029,631</u>	<u>1,651,015</u>	<u>75,622</u>	<u>1,726,637</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Attributable to shareholders of the Company									
	Share capital and premium	Share -based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of April 1, 2022</u>	830,612	10,680	(170,901)	(499,808)	7,518	88,651	1,409,288	1,676,040	73,719	1,749,759
Net income	-	-	107,407	-	-	-	-	107,407	1,127	108,534
Comprehensive income (loss)	-	-	-	71,804	-	(5,455)	70,297	136,646	1,746	138,392
Total comprehensive income (loss)	-	-	107,407	71,804	-	(5,455)	70,297	244,053	2,873	246,926
Issuance of share	182	(182)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	17,210	-	-	-	-	-	-	17,210	-	17,210
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(204)	(204)
Vesting option to employees	-	540	-	-	-	-	-	540	-	540
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	8,122	-	-	-	(8,122)	-	-	-
<u>Balance as of June 30, 2022</u>	<u>848,004</u>	<u>11,038</u>	<u>(55,372)</u>	<u>(428,004)</u>	<u>7,518</u>	<u>83,196</u>	<u>1,471,463</u>	<u>1,937,843</u>	<u>76,388</u>	<u>2,014,231</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	Attributable to shareholders of the Company									
	Share capital and premium	Share -based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of April 1, 2021</u>	829,798	9,035	(80,166)	(283,715)	7,518	54,610	952,017	1,489,097	72,389	1,561,486
Net income	-	-	77,789	-	-	-	-	77,789	3,627	81,416
Comprehensive income (loss)	-	-	-	(6,556)	-	6,994	83,101	83,539	97	83,636
Total comprehensive income (loss)	-	-	77,789	(6,556)	-	6,994	83,101	161,328	3,724	165,052
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(491)	(491)
Vesting option to employees	-	590	-	-	-	-	-	590	-	590
Transfer from revaluation in respect of sale, net	-	-	(1,309)	-	-	-	1,309	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	6,796	-	-	-	(6,796)	-	-	-
<u>Balance as of June 30, 2021</u>	<u>829,798</u>	<u>9,625</u>	<u>3,110</u>	<u>(290,271)</u>	<u>7,518</u>	<u>61,604</u>	<u>1,029,631</u>	<u>1,651,015</u>	<u>75,622</u>	<u>1,726,637</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont.)

	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)									
<u>Balance as of January 1, 2021</u>	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)	-	-	-
<u>Balance as of December 31, 2021</u>	<u>829,815</u>	<u>10,107</u>	<u>91,496</u>	<u>(493,170)</u>	<u>7,518</u>	<u>75,992</u>	<u>1,364,889</u>	<u>1,886,647</u>	<u>73,717</u>	<u>1,960,364</u>

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 June 30,		Six months ended June 30,		Convenience translation (Note 1b) Six months Ended June 30, 2022
	Audited	2021	2022	2021	2022	Unaudited
		N I S in thousands				Euro
<u>Cash flows from operating activities:</u>						
Net income (loss)	(222,804)	81,416	108,534	(298,216)	(164,063)	(45,117)
Adjustments to reconcile net income to net cash provided by operating activities:						
Adjustments to the profit or loss items:						
Depreciation and amortization	952,091	242,068	241,363	477,136	474,144	130,388
Finance expenses, net	855,298	219,301	216,287	443,624	428,783	117,913
Group's share of losses (income) of companies and partnerships accounted for at equity	679	(7,053)	4,635	2,651	14,232	3,914
Change in liabilities for time-sharing rights, net	(666)	(239)	(170)	(328)	(314)	(86)
Change in employee benefit liabilities, net	8,938	(279)	809	(758)	1,446	398
Tax benefit	(138,818)	(20,017)	(18,903)	(157,474)	(97,357)	(26,773)
Gain from impairment of fixed assets	(95,597)	(58,674)	(2,159)	(61,414)	(1,371)	(377)
Share-based payment expense	1,685	590	540	1,186	1,151	317
Other income from rent concession received	(165,547)	(89,779)	(717)	(118,762)	(21,403)	(5,886)
Loss (gain) from a change in the value of securities held for trading	(3,148)	(466)	1,144	(472)	2,148	591
	<u>1,414,915</u>	<u>285,452</u>	<u>442,829</u>	<u>585,389</u>	<u>801,459</u>	<u>220,399</u>
Changes in asset and liability items:						
Increase in trade receivables	(183,792)	(126,615)	(198,524)	(163,077)	(191,682)	(52,712)
Decrease (increase) in other accounts receivable	16,591	47,626	4,265	53,885	(7,004)	(1,926)
Increase in inventories	(5,321)	(3,272)	(2,314)	(3,111)	(2,497)	(687)
Decrease (increase) in long-term receivables	(92,440)	(6,478)	34,803	(13,065)	28,881	7,942
Increase in trade payables	71,263	96,180	93,744	113,273	82,942	22,809
Increase in other accounts payable	120,015	50,588	113,760	165,514	104,735	28,802
Increase (decrease) in other non-current liabilities	30,048	19,177	(29,435)	(4,039)	(18,176)	(4,998)
	<u>(43,636)</u>	<u>77,206</u>	<u>16,299</u>	<u>149,380</u>	<u>(2,801)</u>	<u>(770)</u>
Cash paid during the period for:						
Taxes received	15,114	15,114	-	15,114	-	-
Taxes paid	(22,260)	(3,869)	(15,828)	(11,105)	(27,149)	(7,466)
Interest paid for leases of right-of-use assets	(590,116)	(149,431)	(158,840)	(305,579)	(308,952)	(84,961)
Other interest paid, net	(177,653)	(37,130)	(23,200)	(88,859)	(78,087)	(21,474)
	<u>(774,915)</u>	<u>(175,316)</u>	<u>(197,868)</u>	<u>(390,429)</u>	<u>(414,188)</u>	<u>(113,901)</u>
Net cash provided by operating activities	<u>373,560</u>	<u>268,758</u>	<u>369,794</u>	<u>46,124</u>	<u>220,407</u>	<u>60,611</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended	Three months ended		Six months ended		Convenience
	December 31,	June 30,		June 30,		translation
	2021	2021	2022	2021	2022	(Note 1b)
	Audited	Unaudited				Six months
		NIS in thousands				Ended June 30,
						2022
						Unaudited
						Euro
Cash flows from investing activities:						
Proceeds from sale of fixed assets	307,425	-	-	285,627	-	-
Purchase of property, plant and equipment, net	(273,463)	(17,630)	(261,353)	(14,322)	(458,224)	(126,011)
Advance of investment in fixed assets	(11,478)	-	7,171	(1,338)	-	-
Tax paid for the disposal of fixed assets in the past	(54,615)	-	-	-	-	-
Sale and purchase of securities held for trading, net	8,176	(3,156)	(4,622)	(40,866)	(7,165)	(1,970)
Loans and Investment in companies and partnerships accounted for at equity	(321,590)	(11,410)	(106,238)	(17,596)	(221,624)	(60,946)
Change in accounts receivable	50,000	-	-	-	-	-
Withdrawal of (placement in) designated deposit	3,748	4,842	33	(2,689)	28	8
Return on investment (investment) in various companies	(6,940)	2,629	(15,771)	(1,853)	(21,288)	(5,854)
Net cash provided by (used in) investing activities	(298,737)	(24,725)	(380,780)	206,963	(708,273)	(194,773)
Cash flows from financing activities:						
Short-term credit from banking corporations, net	1,744	600	19,079	600	24,097	6,627
Receipt of long-term loans from banking corporations and others	130,009	36,117	345,570	133,169	561,234	154,338
Repayment of long-term loans from corporations and others	(441,436)	(71,894)	(182,479)	(292,419)	(323,686)	(89,013)
Repayment of debentures	(240,044)	(44,791)	(44,791)	(96,060)	(120,508)	(33,139)
Repayment of liabilities from leases of right-of-use assets	(140,325)	(28,918)	(68,168)	(64,725)	(126,609)	(34,817)
Issue of debentures, net	190,667	190,667	-	190,667	289,767	79,685
Net cash provided by (used in) financing activities	(499,385)	81,781	69,211	(128,768)	304,295	83,681
Translation differences in respect of balances of cash and cash equivalents	(71,501)	(6,540)	9,108	(12,096)	14,310	3,935
Increase (decrease) in cash and cash equivalents	(496,063)	319,274	67,333	112,223	(169,261)	(46,546)
Cash included in assets held for sale	(15,567)	(337)	5,010	(15,647)	5,351	1,471
Cash and cash equivalents at beginning of period	1,257,291	1,034,930	509,408	1,257,291	745,661	205,055
Cash and cash equivalents at end of period	745,661	1,353,867	581,751	1,353,867	581,751	159,980
Material non-cash activity:						
Purchase of properties, plant and equipment	8,725	-	-	-	-	-
Recognition of the right-of-use assets against lease liabilities	734,962	55,954	52,191	508,372	127,240	34,991
Receipt of waiver of lease payment	100,150	54,037	434	71,846	12,948	3,561
Conversion of convertible bonds into shares	-	-	17,210	-	17,969	4,941

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 June 30, 2022 and for the six 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, 2021 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 June 30, 2022 and for the six and three months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 3.6364) 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. Further to that stated in Note 1 to the consolidated annual financial statements for the year 2021, and as of the date of signing the report, the global market is in a general trend of recovery from the Corona crisis. The restrictions imposed in Israel and Europe have been almost completely lifted and, at the same time, demand and occupancies are increasing, which is affected by, among other things, the removal of the restrictions on the entry of tourists into countries. As of the date of approval of these financial statements, all the Company's hotels are open, available to receive guests and their occupancy rates are high. At the same time, the effect of the Corona crisis still constitutes a global macroeconomic risk and creates uncertainty regarding future economic activity worldwide and the expected effects on inflation and the financial markets, and as a result it may have a negative effect on companies in the hotel sector. Based on the recovery in the hotel industry worldwide as a whole and the Company's activities in particular as mentioned above, the Management and the Board of Directors anticipate that the Company will be able to meet its existing and expected obligations in the foreseeable future.

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:

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO INTERIM CONSOLIDATED 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.

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.

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	Annual Rent	Expected date of opening / Lease period
Ein Gev, Israel	January, 2022	Owned 50% Management 100%	120	100%	About NIS 75 million	-	2025
Eilat, Israel	May, 2022	Owned 50% Leased 100%	208	100%	About NIS 85 million	About NIS 16 million	2025
Jerusalem, Israel	April, 2022	Owned 50% Leased 100%	169	100%	About NIS 110 million	About NIS 9 million	2027
Zefat, Israel	June, 2022	Leased	122	100%	-	About NIS 4.5 million	2023
Eilat, Israel	June, 2022	Owned 33% Management 100%	126	100%	About NIS 18 million	-	2025

(*) For more details about the purchase of hotels through an investee partnership, see Section E below.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- b. In December 2018, Fatal Properties (Europe) Ltd., which is 100% owned by the Company (hereinafter – "Fatal Properties (Europe)"), entered into a conditional future agreement with a third party for the purchase of a hotel, according to which, subject to the existence of conditions precedent that were decided, the developer will build a hotel in Manchester, England that will include 275 rooms which will be sold to Fatal Properties Europe for a total consideration of approximately GBP 37 million (including related transaction costs). In April 2022, the construction of the hotel was completed, and the purchase transaction was completed from the independent sources of Fatal Properties (Europe). At the time of completion of the purchase, the property was entered in the books in accordance with its fair value as determined in the valuation performed by an external appraiser in the amount of approximately GBP 41 million (the difference in the amount of approximately GBP 4 million is recorded in the revaluation item of fixed assets in the statement of comprehensive income). In July, the purchasing company entered into a loan agreement with a foreign banking corporation of approximately GBP 24 million in connection with the property which was received at the same time.
- 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.
- 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 funds of up to about EUR 400 million, as of the date of publication of the financial statements, investment commitments have been received totaling about EUR 346 million and the partnership is working to raise additional investors.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Menorah Mivtachim Holdings Ltd. (hereinafter - "Menorah Mivtachim") has committed to invest in the project up to EUR 100 million, Harel Insurance Investments and Financial Services Ltd. (hereafter - "Harel Insurance") has committed to invest in the project up to EUR 100 million euros, Leumi Partners (hereafter - "Leumi Partners") has committed to invest approximately EUR 15 million in the venture, Hachshara Insurance Company Ltd. (hereinafter - "Hachshara") has committed to invest approximately EUR 10 million in the venture, S. Shlomo Holdings Ltd. (hereinafter - "Shlomo") has committed to invest approximately EUR 11 million in the venture, Analyst Investment Portfolio Management Ltd. (hereinafter - "Analyst") has committed to invest approximately EUR 10 million in the venture and the Company has committed to invest the remaining amount of up to EUR 100 million 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. Accordingly, the Company reports its investment in the partnership according to the balance sheet value method.

Shortly after the establishment of the partnership, a first call for money was made (a total of about EUR 35 million), of which a total of about EUR 17 million was transferred back to Fatal Properties (Europe) (net offsetting its investment in the call for money) in respect of the two hotels that Fatal Properties Europe purchased in trust for the partnership that was in the stages of establishment. In June, a second call for money was made (a total of about EUR 28 million).

As of the date of approval of the statements, the partnership signed transactions for the purchase of 12 hotels in Europe in the amount of approximately EUR 250 million, of which EUR 67 million has been injected so far as partner capital.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- 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 June 30, 2022, due to the Omicron wave during the first quarter of 2022, the subsidiary did not meet the covenant required in the loan agreement with the bank in connection with the operational results as assessed at the time of taking the loan. The balance of the loan as of June 30, 2022, is about EUR 51 million. Fatal Hotels is a guarantor for the total loan received. It should be noted that according to the loan agreement, the bank cannot call the loan for immediate repayment but only after discussion have been held with the Company and no agreements have been reached, all in accordance with the mechanism stipulated in the loan agreement.

In the Company's estimation, based on the fact that the loan was given in connection with the Corona crisis, that the violation occurred following the Omicron wave, the improvement in the operational results of the subsidiary company as well as talks being conducted with the banking corporation, the subsidiary company and the banking corporation will reach agreements.

- g. Further to that stated in Section 20c of the consolidated annual financial statements for 2021, regarding the purchase of 4 hotels in London, as of the date of the financial statements, the Company completed the purchase cost attribution (PPA) and subsequently updated the classification of these costs.
- h. On July 27, 2022, the Company issued to the public NIS 260,000 thousand par value bonds (Series D) of NIS 1 par value each of the Company, listed for trading, for a gross cash consideration of NIS 260,000 thousand (before deduction of issue costs in the amount of about NIS 3 million). The bonds are linked and carry an annual interest rate (linked to the CPI) at a fixed rate of 3.25%. The above series is due in 18 semi-annual payments on December 31 and June 30 of each of the years 2024 to 2032 (inclusive) starting on June 30, 2024, in such a way that each of the first five payments will constitute 7% of the total face value of the bonds, and each of the sixth, seventh, and eighth payments will constitute 6% of the total nominal value of the bonds, and each of the ninth to fifteenth payments will constitute 5% of the total nominal value of the bonds, and each of the last three payments will constitute 4% of the total nominal value of the bonds. The Company has the right to extend the series in accordance with the conditions detailed in the Trust Deed of the bonds. As part of the issuance, the Company committed to financial covenants, the main ones of which are as follows:
- i. The ratio of adjusted net financial debt to net CAP, as defined in the Trust Deed, shall not exceed 76%.
 - ii. The Company's shareholders' equity will not be less than NIS 1,370 million.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- i. In July 2022, as part of the shelf offer report, it was proposed to all bondholders (Series 1) of the Company to purchase up to NIS 278,801,653 of bonds (Series 1) held by them (which at the time of publication of the shelf offer report constituted 100% of the total face value of the bonds (Series 1) in circulation), by way of an exchange purchase offer, in consideration of the issuance of ordinary shares without par value of the Company, in such a way that for every NIS 1 of bonds (Series 1) to be purchased by the Company, the Company will issue 0.00345 ordinary shares.
154,460,804 bonds (Series 1) accepted the exchange purchase offer, which is about 55.4% of the total of the bonds (Series 1) in circulation. Accordingly, and according to the terms of the exchange purchase offer, the Company allocated 532,890 ordinary shares.
It should be noted that as of the balance sheet date, 21,198,347 bonds (Series 1) were converted into 69,503 ordinary shares according to the conditions stipulated in the Trust Deed.

- j. From the date of the report until the date of publication of these financial statements, there has been a significant decrease in the exchange rate of the EUR and the GBP against the shekel. If the exchange rate remains at its current level until September 30, 2022, the Company is expected to record in the third quarter of this year a decrease in capital due to translation differences ranging between NIS 100-150 million.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: - FINANCIAL INSTRUMENTS

Fair value:

The table below compares the balance in the books and the fair value of the Company's financial instruments presented in the financial statements, which are not according to their fair value:

	<u>June 30, 2021</u>		<u>December 31, 2021</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
<u>N I S in thousands</u>				
<u>Loans from banking corporations and other liabilities</u>				
Debentures (Level 1 of the fair value hierarchy)	(*) 2,502,810	2,657,622	(*) 2,365,159	2,534,421
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,882,205</u>	<u>2,028,439</u>	<u>1,715,190</u>	<u>1,762,072</u>
Total	<u>4,385,015</u>	<u>4,686,061</u>	<u>4,080,349</u>	<u>4,296,493</u>

			<u>Convenience translation (note 1b)</u>		
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	
		<u>June 30, 2022</u>		<u>June 30, 2022</u>	
<u>Unaudited</u>					
		<u>NIS</u>	<u>Euro</u>		
		<u>(In thousands)</u>	<u>(In thousands)</u>		
<u>Loans from banking corporations and other liabilities</u>					
Debentures (Level 1 of the fair value hierarchy)	(*) 2,523,633	2,531,076	(*) 693,992	696,039	
Fixed interest loans (Level 3 of the fair value hierarchy)	<u>1,730,726</u>	<u>1,664,800</u>	<u>475,945</u>	<u>457,815</u>	
Total	<u>4,254,359</u>	<u>4,195,876</u>	<u>1,169,937</u>	<u>1,153,854</u>	

(*) Including interest payable.

It should be noted that, as at June 30, 2022, the Company had a consolidated working capital deficit (including relating to assets and liabilities held for sale) of about NIS 986 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 0.8 billion.
- Obtaining financing for properties that were not financed (a total of approximately NIS 300 million) and additional properties that were purchased with external financing when a major part of this external financing has already been repaid and the Company is working to raise external financing for these hotels.
- Cash generated from the Company's current operations.

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 thousands							
Three months ended June 30, 2022 (unaudited)								
Segment revenues	505,750	537,174	477,654	79,139	(92,523)	1,507,194	-	1,507,194
Operating income before depreciation and amortization, other operating expenses and rental expenses	163,130	237,162	178,769	39,156	(55,049)	563,168	-	563,168
Operating income before depreciation and amortization and other operating expenses	131,134	160,655	58,691	19,530	(72,432)	297,578	248,515	546,093
Depreciation and amortization	(23,874)	(51,743)	(19,471)	(5,709)	23,030	(77,767)	(163,596)	(241,363)
Other operating income, net								1,724
Finance expenses, net								(212,188)
Group's share of losses of associate companies and partnerships accounted for at equity								(4,635)
Income before tax benefit								89,631
Tax benefit								18,903
Net income								108,534

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 thousands							
Three months ended June 30, 2021 (unaudited)								
Segment revenues	356,708	127,882	159,971	25,247	(24,888)	644,920	-	644,920
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	132,163	191,313	32,958	14,444	(8,169)	362,709	-	362,709
Operating income (loss) before depreciation and amortization and other operating expenses	137,718	146,651	(93,098)	7,428	(19,973)	178,726	183,330	362,056
Depreciation and amortization	(21,561)	(32,806)	(23,537)	(4,382)	8,640	(73,646)	(168,422)	(242,068)
Other operating income, net								150,743
Finance expenses, net								(216,385)
Group's share of earnings of associate companies and partnerships accounted for at equity								7,053
Income before tax benefit								61,399
Tax benefit								20,017
Net income								81,416

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: - OPERATING SEGMENTS (Cont.):

	<u>Israel</u>	<u>Abroad (mainly Germany)</u>	<u>UK and Ireland</u>	<u>Other</u>	<u>Adjustments to financial reporting (before adjustments for IFRS 16) NIS</u>	<u>Total</u>	<u>Adjustments for IFRS 16</u>	<u>Total</u>	<u>Convenience translation (Note 1b) Total Euro</u>
(In thousands)									
Six months ended June 30, 2022 (unaudited)									
Segment revenues	<u>761,645</u>	<u>719,664</u>	<u>782,488</u>	<u>108,247</u>	<u>(112,898)</u>	<u>2,259,146</u>	<u>-</u>	<u>2,259,146</u>	<u>621,260</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>185,047</u>	<u>224,172</u>	<u>256,706</u>	<u>49,119</u>	<u>(58,279)</u>	<u>656,765</u>	<u>-</u>	<u>656,765</u>	<u>180,609</u>
Operating income before depreciation and amortization and other operating expenses	<u>128,759</u>	<u>71,843</u>	<u>27,073</u>	<u>17,352</u>	<u>(84,702)</u>	<u>160,325</u>	<u>475,625</u>	<u>635,950</u>	<u>174,885</u>
Depreciation and amortization	(46,745)	(86,084)	(42,299)	(11,103)	35,011	(151,220)	(322,924)	(474,144)	(130,388)
Other operating income, net								16,221	4,460
Finance expenses, net								(425,215)	(116,933)
Group's share of losses of associate companies and partnerships accounted for at equity								(14,232)	(3,914)
Loss before taxes on income								(261,420)	(71,890)
Tax benefit								<u>97,357</u>	<u>26,773</u>
Loss for the period								<u>(164,063)</u>	<u>(45,117)</u>

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
	N I S							
	(In thousands)							
Six months ended June 30, 2021 (unaudited)								
Segment revenues	<u>440,552</u>	<u>193,672</u>	<u>202,297</u>	<u>35,239</u>	<u>(31,364)</u>	<u>840,396</u>	<u>-</u>	<u>840,396</u>
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	<u>116,794</u>	<u>159,985</u>	<u>6,542</u>	<u>16,367</u>	<u>(7,138)</u>	<u>292,550</u>	<u>-</u>	<u>292,550</u>
Operating income (loss) before depreciation and amortization and other operating expenses	<u>100,137</u>	<u>45,644</u>	<u>(250,720)</u>	<u>3,445</u>	<u>(27,672)</u>	<u>(129,166)</u>	<u>421,046</u>	<u>291,880</u>
Depreciation and amortization	(43,542)	(71,060)	(45,741)	(8,723)	20,135	(148,931)	(328,205)	(477,136)
Other operating income, net								176,162
Finance expenses, net								(443,945)
Group's share of losses of associate companies and partnerships accounted for at equity								<u>(2,651)</u>
Loss before taxes on income								(455,690)
Tax benefit								<u>157,474</u>
Loss for the period								<u>(298,216)</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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	<u>1,315,830</u>	<u>768,156</u>	<u>928,898</u>	<u>137,630</u>	<u>(109,848)</u>	<u>3,040,666</u>	<u>-</u>	<u>3,040,666</u>
Operating income before depreciation and amortization, other operating expenses and rental expenses	<u>403,694</u>	<u>478,501</u>	<u>275,444</u>	<u>66,551</u>	<u>(37,647)</u>	<u>1,186,543</u>	<u>-</u>	<u>1,186,543</u>
Operating income (loss) before depreciation and amortization and other operating expenses	<u>324,033</u>	<u>229,308</u>	<u>(133,774)</u>	<u>32,378</u>	<u>(75,938)</u>	<u>376,007</u>	<u>806,598</u>	<u>1,182,605</u>
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								<u>(679)</u>
Loss before tax benefit								(361,622)
Tax benefit								<u>138,818</u>
Loss								<u>(222,804)</u>

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