

FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

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, 2023 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 financial information of subsidiaries, whose assets constitute approximately 0.75% of total consolidated assets as of June 30, 2023, and their revenues constitute approximately 2.20% of total consolidated revenues for the six months period then ended. Furthermore, We did not review the condensed interim financial information of a company accounted for at equity, the investment in which amounted to NIS 414,466 thousand as of June 30, 2023 and the Company's share of their profits (losses) amounted to NIS (4,945) and NIS 5,451 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.

Tel-Aviv, Israel
August 24, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2022 Audited	June 30,		Convenience translation (Note 1d)
		2022 Unaudited	2023 Unaudited	June 30, 2023 Unaudited
	NIS in thousands			Euro
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	829,643	581,751	425,918	105,989
Securities held for trading	81,562	35,688	49,804	12,394
Trade receivables	400,061	460,526	502,964	125,162
Restricted deposit	3,951	-	-	-
Other accounts receivable	245,739	196,332	239,073	59,493
Income tax receivable	6,162	4,842	7,086	1,763
Inventories	20,119	17,814	23,250	5,786
	<u>1,587,237</u>	<u>1,296,953</u>	<u>1,248,095</u>	<u>310,587</u>
Assets held for sale	-	154,854	-	-
	<u>1,587,237</u>	<u>1,451,807</u>	<u>1,248,095</u>	<u>310,587</u>
NON-CURRENT ASSETS:				
Long-term receivables	93,319	77,939	49,910	12,420
Advance on Fixed Assets	15,646	15,160	16,860	4,196
Loans and Investments in companies and partnerships accounted for at equity	2,370,967	2,061,336	2,658,754	661,628
Property, plant and equipment, net	6,113,864	5,624,812	6,807,302	1,693,991
Property, plant and equipment under construction	560,506	425,679	575,806	143,289
Right-of-use assets, net	11,816,059	11,312,465	12,775,662	3,179,212
Deferred taxes on right-of-use assets	467,499	413,352	542,884	135,096
Deferred taxes	189,021	202,595	219,763	54,688
Intangible assets	345,082	365,047	371,119	92,353
	<u>21,971,963</u>	<u>20,498,385</u>	<u>24,018,060</u>	<u>5,976,873</u>
	<u><u>23,559,200</u></u>	<u><u>21,950,192</u></u>	<u><u>25,266,155</u></u>	<u><u>6,287,460</u></u>

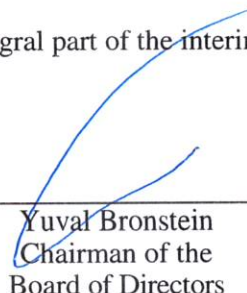
The accompanying notes are an integral part of the interim consolidated financial statements


CONSOLIDATED STATEMENTS OF FINANCIAL POSITION


	December 31,		June 30,		Convenience translation (Note 1d)
	2022		2023		June 30,
	Audited	Unaudited		2023	Unaudited
	NIS in thousands				Euro
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Short-term credit from banks and others	707,594	376,174	467,520	116,342	
Current maturities of liabilities from leases of right-of-use assets	412,838	363,873	481,040	119,706	
Current maturities of debentures	452,940	334,827	479,135	119,232	
Trade payables	282,572	297,870	310,858	77,357	
Income tax payable	70,496	40,616	55,675	13,855	
Other accounts payable	878,970	961,264	959,645	238,806	
Shareholders	6,290	8,174	5,406	1,345	
	<u>2,811,700</u>	<u>2,382,798</u>	<u>2,759,279</u>	<u>686,643</u>	
Liabilities attributed to assets held for sale	-	54,654	-	-	
	<u>2,811,700</u>	<u>2,437,452</u>	<u>2,759,279</u>	<u>686,643</u>	
NON-CURRENT LIABILITIES:					
Loans from banks and others	2,690,329	2,753,293	3,038,902	756,228	
Debentures, net	2,234,939	2,158,991	2,226,732	554,120	
Liabilities from leases of right-of-use assets	12,733,958	12,122,310	13,849,864	3,446,526	
Deferred taxes	411,979	356,002	419,238	104,327	
Employee benefit liabilities, net	20,155	22,601	21,969	5,467	
Other non-current liabilities	90,410	82,226	143,697	35,759	
Shareholders	5,181	3,086	5,649	1,406	
	<u>18,186,951</u>	<u>17,498,509</u>	<u>19,706,051</u>	<u>4,903,833</u>	
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:					
Share capital and premium	1,014,932	848,004	1,082,392	269,352	
Capital reserves	1,419,158	1,145,211	1,637,807	407,567	
Retained earnings (losses)	47,302	(55,372)	(6,886)	(1,714)	
	<u>2,481,392</u>	<u>1,937,843</u>	<u>2,713,313</u>	<u>675,205</u>	
Non-controlling interests	79,157	76,388	87,512	21,779	
Total equity	<u>2,560,549</u>	<u>2,014,231</u>	<u>2,800,825</u>	<u>696,984</u>	
	<u>23,559,200</u>	<u>21,950,192</u>	<u>25,266,155</u>	<u>6,287,460</u>	

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

August 24, 2023
Date of approval of
the financial statements


Yuval Bronstein
Chairman of the
Board of Directors


David Fattal
Chief Executive Officer
and Director


Shahar Aka
Chief Financial Officer
and Director

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended December 31, 2022 Audited	Three months ended June 30,		Six months ended June 30,		Convenience translation (Note 1d)	
		2022	2023	2022	2023	Six months ended June 30, 2023	
		Unaudited					Unaudited
		NIS un thousands					Euro
Revenues from hospitality services and others	5,471,418	1,507,194	1,891,098	2,259,146	3,133,009	779,646	
Cost of revenues	3,077,607	798,422	998,477	1,343,653	1,788,687	445,113	
	2,393,811	708,772	892,621	915,493	1,344,322	334,533	
Selling and marketing expenses	134,586	33,270	43,373	59,577	80,326	19,989	
General and administrative expenses	434,215	112,334	136,784	199,151	257,109	63,981	
	1,825,010	563,168	712,464	656,765	1,006,887	250,563	
Hotel lease expenses	93,323	17,075	51,677	20,815	59,013	14,685	
Operating income before depreciation and amortization and other operating income, net	1,731,687	546,093	660,787	635,950	947,874	235,878	
Depreciation and amortization	302,387	70,435	77,315	134,513	148,602	36,979	
Depreciation of revaluation of step-up	31,553	7,332	8,961	16,707	19,925	4,958	
Depreciation on right-of-use assets	671,394	163,596	191,410	322,924	371,279	92,392	
Other operating (income) expenses, net	(21,948)	(1,724)	3,736	(16,221)	5,833	1,452	
Operating income	748,301	306,454	379,365	178,027	402,235	100,097	
Finance income	220	9	404	101	755	188	
Finance expenses	(233,592)	(51,354)	(66,252)	(105,921)	(141,252)	(35,150)	
Financing expenses on liabilities from leases of right-of-use assets	(649,445)	(160,843)	(182,432)	(319,395)	(353,609)	(87,995)	
Group's share of earnings (losses) of companies and partnerships accounted for at equity	861	(4,635)	5,679	(14,232)	(14,550)	(3,622)	
Income (loss) before tax benefit	(133,655)	89,631	136,764	(261,420)	(106,421)	(26,482)	
Tax benefit (Taxes on income)	55,199	18,903	(16,739)	97,357	31,028	7,720	
Net income (loss)	(78,456)	108,534	120,025	(164,063)	(75,393)	(18,762)	
Attributable to:							
Shareholders of the Company	(78,775)	107,407	119,736	(164,720)	(75,627)	(18,820)	
Non-controlling interests	319	1,127	289	657	234	58	
	(78,456)	108,534	120,025	(164,063)	(75,393)	(18,762)	
<u>Net earnings (loss) per share attributed to equity holders of the Company (in NIS)</u>							
Basic net earnings (loss) per share	(5.01)	6.93	3.70	(10.64)	(4.64)	(1.16)	
Diluted net earnings (loss) per share	(5.01)	6.53	3.69	(10.64)	(4.64)	(1.16)	

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

						Convenience translation (Note 1d)
	Year ended December 31, 2022 Audited	Three months ended June 30,		Six months ended June 30,		Six months ended June 30, 2023 Unaudited Euro
		2022	2023	2022	2023	
	N I S un thousands					
Net income (loss)	(78,456)	108,534	120,025	(164,063)	(75,393)	(18,762)
Other comprehensive income (loss) (after tax effect):						
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>						
Actuarial loss, net	15,408	-	-	-	-	-
Revaluation of properties, net	193,515	57,810	44,401	98,347	59,782	14,878
Group's share in revaluation of properties in companies and partnerships accounted for at equity	174,425	21,992	19,374	33,884	68,536	17,055
Total amounts that will not be reclassified subsequently to profit or loss	383,348	79,802	63,775	132,231	128,318	31,933
<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	(5,790)	(5,455)	(11,917)	7,204	(66,975)	(16,667)
Foreign currency translation adjustments	113,523	64,045	63,504	59,589	183,031	45,547
Total Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions	107,733	58,590	51,587	66,793	116,056	28,880
Total other comprehensive income	491,081	138,392	115,362	199,024	244,374	60,813
Total comprehensive income	412,625	246,926	235,387	34,961	168,981	42,051
Attributable to:						
Shareholders of the Company	406,642	244,053	233,987	32,076	163,183	40,607
Non-controlling interests	5,983	2,873	1,400	2,885	5,798	1,444
	412,625	246,926	235,387	34,961	168,981	42,051

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
	Share capital and premium	Share -based payment	Retained earnings	Foreign currency translation adjustments	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
<u>Balance as of January 1, 2023</u> (audited)	1,014,932	13,093	47,302	(341,417)	7,518	70,202	1,669,762	2,481,392	79,157	2,560,549
Net income (loss)	-	-	(75,627)	-	-	-	-	(75,627)	234	(75,393)
Comprehensive income (loss)	-	-	-	223,581	-	(66,975)	82,204	238,810	5,564	244,374
Total comprehensive income (loss)	-	-	(75,627)	223,581	-	(66,975)	82,204	163,183	5,798	168,981
Issuance of share	189	(189)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	67,271	-	-	-	-	-	-	67,271	-	67,271
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	3,012	3,012
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(455)	(455)
Vesting option to employees	-	1,467	-	-	-	-	-	1,467	-	1,467
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	21,439	-	-	-	(21,439)	-	-	-
<u>Balance as of June 30, 2023</u> (unaudited)	<u>1,082,392</u>	<u>14,371</u>	<u>(6,886)</u>	<u>(117,836)</u>	<u>7,518</u>	<u>3,227</u>	<u>1,730,527</u>	<u>2,713,313</u>	<u>87,512</u>	<u>2,800,825</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 1d) (In thousands)										
Balance as of January 1, 2023 (audited)	252,565	3,258	11,771	(84,961)	1,871	17,470	415,519	617,493	19,698	637,191
Net income (loss)	-	-	(18,820)	-	-	-	-	(18,820)	58	(18,762)
Comprehensive income (loss)	-	-	-	55,638	-	(16,667)	20,456	59,427	1,386	60,813
Total comprehensive income (loss)	-	-	(18,820)	55,638	-	(16,667)	20,456	40,607	1,444	42,051
Issuance of share	47	(47)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	16,740	-	-	-	-	-	-	16,740	-	16,740
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	750	750
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(113)	(113)
Vesting option to employees	-	365	-	-	-	-	-	365	-	365
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	5,335	-	-	-	(5,335)	-	-	-
Balance as of June 30, 2023 (unaudited)	<u>269,352</u>	<u>3,576</u>	<u>(1,714)</u>	<u>(29,323)</u>	<u>1,871</u>	<u>803</u>	<u>430,640</u>	<u>675,205</u>	<u>21,779</u>	<u>696,984</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, 2022</u> (audited)	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> (unaudited)	<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										
Balance as of April 1, 2023 (unaudited)	1,028,693	13,791	(136,510)	(198,350)	7,518	15,144	1,694,761	2,425,047	83,309	2,508,356
Net income	-	-	119,736	-	-	-	-	119,736	289	120,025
Comprehensive income (loss)	-	-	-	80,514	-	(11,917)	45,654	114,251	1,111	115,362
Total comprehensive income (loss)	-	-	119,736	80,514	-	(11,917)	45,654	233,987	1,400	235,387
Issuance of share	102	(102)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	53,597	-	-	-	-	-	-	53,597	-	53,597
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	3,012	3,012
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(209)	(209)
Vesting option to employees	-	682	-	-	-	-	-	682	-	682
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	9,888	-	-	-	(9,888)	-	-	-
Balance as of June 30, 2023 (unaudited)	<u>1,082,392</u>	<u>14,371</u>	<u>(6,886)</u>	<u>(117,836)</u>	<u>7,518</u>	<u>3,227</u>	<u>1,730,527</u>	<u>2,713,313</u>	<u>87,512</u>	<u>2,800,825</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> (unaudited)	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> (unaudited)	<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
	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)	-	-	(78,775)	-	-	-	-	(78,775)	319	(78,456)
Other comprehensive income (loss)	-	-	-	151,753	-	(5,790)	339,454	485,417	5,664	491,081
Total comprehensive income (loss)	-	-	(78,775)	151,753	-	(5,790)	339,454	406,642	5,983	412,625
Share capital	259	(259)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	184,858	-	-	-	-	-	-	184,858	-	184,858
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(543)	(543)
Vesting option to employees	-	3,245	-	-	-	-	-	3,245	-	3,245
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	34,581	-	-	-	(34,581)	-	-	-
<u>Balance as of December 31, 2022 (audited)</u>	<u>1,014,932</u>	<u>13,093</u>	<u>47,302</u>	<u>(341,417)</u>	<u>7,518</u>	<u>70,202</u>	<u>1,669,762</u>	<u>2,481,392</u>	<u>79,157</u>	<u>2,560,549</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
	2022	2022	2023	2022	2023	(Note 1d)
	Audited	Unaudited				Six months
	NIS in thousands					Ended June 30,
						2023
						Unaudited
						Euro
<u>Cash flows from operating activities:</u>						
Net income (loss)	(78,456)	108,534	120,025	(164,063)	(75,393)	(18,762)
Adjustments to reconcile net income to net cash provided by operating activities:						
Adjustments to the profit or loss items:						
Depreciation and amortization	1,005,334	241,363	277,686	474,144	539,806	134,329
Finance expenses, net	866,688	216,287	256,622	428,783	494,069	122,947
Group's share of losses (income) of companies and partnerships accounted for at equity	(861)	4,635	(5,679)	14,232	14,550	3,622
Change in liabilities for time-sharing rights, net	(614)	(170)	(147)	(314)	(281)	(70)
Change in employee benefit liabilities, net	15,536	809	954	1,446	1,705	424
Taxes on income (Tax benefit)	(55,199)	(18,903)	16,739	(97,357)	(31,028)	(7,720)
Gain from impairment of fixed assets	(2,713)	(2,159)	238	(1,371)	(366)	(91)
Share-based payment to employees expense	3,245	540	682	1,151	1,467	365
Other income from rent concession received	(21,403)	(717)	-	(21,403)	-	-
Loss (gain) from a change in the value of securities held for trading	14,461	1,144	(4,775)	2,148	5,666	1,410
	<u>1,824,474</u>	<u>442,829</u>	<u>542,320</u>	<u>801,459</u>	<u>1,025,588</u>	<u>255,216</u>
Changes in asset and liability items:						
Increase in trade receivables	(123,656)	(198,524)	(130,625)	(191,682)	(90,065)	(22,413)
Decrease (increase) in other accounts receivable	(65,608)	4,265	31,077	(7,004)	26,127	6,502
Increase in inventories	(4,156)	(2,314)	(2,174)	(2,497)	(1,885)	(469)
Decrease in long-term receivables	58,190	34,803	20,517	28,881	59,545	14,818
Increase in trade payables	61,417	93,744	2,578	82,942	19,076	4,747
Increase in other accounts payable	(51,831)	113,760	70,234	104,735	40,356	10,043
Decrease in other non-current liabilities	(32,794)	(29,435)	(54,117)	(18,176)	(76,090)	(18,935)
	<u>(158,438)</u>	<u>16,299</u>	<u>(62,510)</u>	<u>(2,801)</u>	<u>(22,936)</u>	<u>(5,707)</u>
Cash paid (received) during the period for:						
Receiving a dividend from an investee company	-	-	-	-	4,000	995
Taxes paid	(37,575)	(15,828)	(42,812)	(27,149)	(52,822)	(13,145)
Interest paid for leases of right-of-use assets	(634,953)	(158,840)	(159,340)	(308,952)	(352,584)	(87,740)
Other interest paid, net	(173,077)	(23,200)	(48,765)	(78,087)	(125,236)	(31,165)
	<u>(845,605)</u>	<u>(197,868)</u>	<u>(250,917)</u>	<u>(414,188)</u>	<u>(526,642)</u>	<u>(131,055)</u>
Net cash provided by operating activities	<u>741,975</u>	<u>369,794</u>	<u>348,918</u>	<u>220,407</u>	<u>400,617</u>	<u>99,692</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 translation (Note 1d)
	December 31,		June 30,		June 30,		Six months
	2022		2023		2022		Ended June 30,
	Audited		Unaudited		2023		2023
	N I S in thousands						Unaudited
							Euro
<u>Cash flows from investing activities:</u>							
Purchase of fixed assets less investment return from property owners	(886,752)	(261,353)	(153,876)	(458,224)	(323,900)		(80,602)
Advance of investment in fixed assets	(4,143)	7,171	(92)	-	(92)		(23)
Purchase of companies consolidated for the first time (a)	(15,332)	-	(58,593)	-	(58,593)		(14,581)
Tax paid for the disposal of fixed assets in the past	(10,771)	-	-	-	-		-
Sale and purchase of securities held for trading, net	(65,352)	(4,622)	19,800	(7,165)	26,092		6,493
Loans and Investment in companies and partnerships accounted for at equity, net	(335,261)	(106,238)	(146,983)	(221,624)	(209,687)		(52,180)
Change in designated deposit, net	16,239	33	995	28	42,962		10,691
Return on investment (investment) in various companies, net	(26,909)	(15,771)	2,141	(21,288)	5,122		1,275
Net cash used in investing activities	<u>(1,328,281)</u>	<u>(380,780)</u>	<u>(336,608)</u>	<u>(708,273)</u>	<u>(518,096)</u>		<u>(128,927)</u>
<u>Cash flows from financing activities:</u>							
Short-term credit from banking corporations, net	7,617	19,079	8,659	24,097	(599)		(149)
Receipt of long-term loans from banking corporations and others	964,236	345,570	42,777	561,234	205,090		51,036
Repayment of long-term loans from corporations and others	(501,661)	(182,479)	(95,861)	(323,686)	(345,250)		(85,915)
Issue of debentures, net	756,074	-	154,910	289,767	295,855		73,623
Repayment of debentures	(253,416)	(44,791)	(63,531)	(120,508)	(222,789)		(55,441)
Repayment of liabilities from leases of right-of-use assets	(351,436)	(68,168)	(144,616)	(126,609)	(249,852)		(62,175)
Net cash provided by (used in) financing activities	<u>621,414</u>	<u>69,211</u>	<u>(97,662)</u>	<u>304,295</u>	<u>(317,545)</u>		<u>(79,021)</u>
<u>Translation differences in respect of balances of cash and cash equivalents</u>	<u>33,307</u>	<u>9,108</u>	<u>13,400</u>	<u>14,310</u>	<u>31,299</u>		<u>7,789</u>
<u>Increase (decrease) in cash and cash equivalents</u>	<u>68,415</u>	<u>67,333</u>	<u>(71,952)</u>	<u>(169,261)</u>	<u>(403,725)</u>		<u>(100,467)</u>
Cash included in assets held for sale	15,567	5,010	-	5,351	-		-
<u>Cash and cash equivalents at beginning of period</u>	<u>745,661</u>	<u>509,408</u>	<u>497,870</u>	<u>745,661</u>	<u>829,643</u>		<u>206,456</u>
<u>Cash and cash equivalents at end of period</u>	<u>829,643</u>	<u>581,751</u>	<u>425,918</u>	<u>581,751</u>	<u>425,918</u>		<u>105,989</u>
<u>Material non-cash activity:</u>							
Purchase of properties, plant and equipment	31,625	-	-	-	-		-
Recognition of the right-of-use assets against lease liabilities	760,714	52,191	36,437	127,240	72,462		18,032
Updates in right-of-use assets in respect of linkages to the CPI index	285,106	-	-	-	-		-
Receipt of waiver of lease payment	12,948	434	-	12,948	-		-
Conversion of convertible bonds into shares	184,858	17,210	53,597	17,969	67,271		16,740

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2022 Audited	Three months ended June 30,		Six months ended June 30,		Convenience translation (Note 1d)	
		2022	2023	2022	2023	Six months Ended June 30, 2023	
		NIS in thousands				Unaudited	Unaudited
							Euro
(a) <u>Acquisition of initially consolidated subsidiaries:</u>							
The subsidiaries' assets and liabilities at date of acquisition:							
Current assets	(5,242)	-	(6,809)	-	(6,809)	(1,694)	
Non-current assets	(30,620)	-	(160,677)	-	(160,677)	(39,984)	
Current liabilities	20,530	-	-	-	-	-	
Long-term liabilities	-	-	105,881	-	105,881	26,348	
Non-controlling interests	-	-	3,012	-	3,012	749	
	<u>(15,332)</u>	<u>-</u>	<u>(58,593)</u>	<u>-</u>	<u>(58,593)</u>	<u>(14,581)</u>	

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: - GENERAL

- a. These financial statements have been prepared in a condensed format as of June 30, 2023 and for the six and three months periods then ended (hereinafter – "Interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2022 and for the year then ended and accompanying notes, which are included as part of the prospectus (hereinafter – "Annual consolidated financial statements").
- b. As of the date of approval of the financial statements, the Company, through the investee companies, is the operator and manager of the Fattal Hotel Chain, which includes 272 hotels throughout Israel and Europe, comprising about 48,000 hotel rooms, including 67 hotels in Israel, 189 hotels throughout Europe (excluding Cyprus and Greece) and 16 hotels in Cyprus and Greece. For further details regarding operating segments, see Note 7.
- c. It should be noted that, as of June 30, 2023, the Company had a consolidated working capital deficit of about NIS 1,511 million. According to the Company's Management and the Board of Directors, the above deficit does not indicate a liquidity issue as the Company has the following sources:
 - Cash and quoted securities in the amount of approximately NIS 500 million available to the Group close to the date of approval of the Financial Statements (including in respect of raising the Bonds as mentioned in Note 4a(4)).
 - Obtaining financing for properties that were not financed (a total of approximately NIS 330 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.
 - Receiving financing that is not against pledging of assets.
 - The Company has a positive cash flow from current operations, which is even expected to increase during the year due to the effect of seasonality on the Company's operations as detailed in Note 3, as well as from the opening of new hotels in the coming year.
- d. The financial statements as of June 30, 2023 and for the three months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 4.0185) 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.

NOTE 2- : SIGNIFICANT ACCOUNTING POLICIES

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

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below:

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 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

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

2. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment is effective for annual reporting periods beginning on or after January 1, 2023. In relation to leases and decommissioning obligations, the Amendment is applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment is recognized as an adjustment to the opening

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. Amendment to IAS 1 - Disclosure of Accounting Policies:

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is effective for annual periods beginning on or after January 1, 2023.

The above Amendment did not have an effect on the Company's interim consolidated financial statements, but it is expected to affect the disclosures of accounting policies in the Company's annual consolidated financial statements.

NOTE 3: - SEASONALITY OF OPERATIONSIsrael

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

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

Europe (including UK and Ireland)

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

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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIODa. Changes in the balance of bonds in the Company and in the investee company during the reporting period:

1. On February 16, 2023, the Company expanded the Bonds (Series B) by way of a private allocation to investors of NIS 150,000 thousand par value in Bonds (Series B) with a par value of NIS 1 each of the Company, listed for trading, for a gross cash consideration of NIS 141,150 thousand (before deducting issuance costs of about NIS 0.3 million), at a price of NIS 0.941 for each par value of NIS 1. The effective interest rate of the expansion is 6.31%.
2. Further to that stated in Note 15(1) to the Financial Statements for the year 2022 in connection with the Convertible Bonds (Series 1) of the Company, during the period of the Report 81,232,150 nominal value of the Bonds (Series 1) were converted into 266,335 ordinary shares of the Company.

Until close to the date of approval of the Financial Statements, 285,444,736 Bonds (Series 1), which constitute about 95% of the total of the Bonds (Series 1) in circulation were converted into 962,346 Ordinary Shares and 873,316 par value were paid in accordance with the terms of the Trust Deed. The rest of the Bonds (Series 1) in circulation (13,681,948 par value) can be converted into Company shares until May 5, 2028 in such a way that every NIS 430 par value of the Bonds can be converted into one Ordinary Share with no par value of the Company.

3. On May 21, 2023, Fattal Properties (Europe) Ltd. which is 100% owned in final chain of ownership by the Company (hereinafter – "Fattal Properties (Europe)"), carried out an expansion of Bonds (Series C) by way of allocation to the public of 170,000,000 Bonds (Series C) par value NIS 1 each of the Company, listed for trading, at a price of NIS 0.916 for every NIS 1 par value of Bonds and a total of about NIS 155,720 thousand for all the aforementioned Bonds (Series C). The Bonds are in Israel Shekels and bear an annual interest rate of 2.65%, and are not linked (principal and interest) to any linkage base. The effective interest rate of the expansion is 6.7%. After the aforementioned allocations, the total Bonds (Series C) in circulation amount to NIS 716,976,284 par value.
4. On August 15, 2023, Fattal Properties (Europe) issued to the public NIS 196,852 thousand par value of Bonds (Series E) of NIS 1 par value each of Fattal Properties (Europe), listed for trading, for a gross cash consideration of approximately NIS 196,852 thousand (before issuance costs). The Bonds are in Israel Shekels and bear an annual interest rate of 6.37%, and are not linked (principal and interest) to any indexation basis.

The Bonds (Series E) will be repayable in five equal semi-annual payments at a rate of 20% of the principal of the total par value of the Bonds (Series E) on June 30 of each of the years 2027 to 2029 (inclusive) and on December 31 of each of the years 2027 and 2028 (inclusive) starting on June 30, 2027. The first payment of principal will be paid on June 30, 2027 and the last payment of principal will be paid on June 30, 2029.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

As part of the issuance, Fattal Properties (Europe) committed to financial standards, as defined in the Trust Deed, which are essentially as follows:

1. The consolidated shareholders' equity will not be less than EUR 220 million.
2. The ratio of capital to the balance sheet will not be less than 23.5%.
3. The ratio of adjusted net financial debt to adjusted NOI, as defined in the Trust Deed, shall not exceed 16.

In addition, in the Trust Deed in respect of the Bonds, the mechanism for adjusting the interest rate is established in accordance with a change in the rating of the Bonds, and in the event of a violation of the following financial standards:

1. The consolidated shareholders' equity will not be less than EUR 245 million.
2. The ratio of capital to the balance sheet will not be less than 28%.
3. The ratio of adjusted net financial debt to adjusted NOI, as defined in the Trust Deed, shall not exceed 15.5.

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

- b. Further to that stated in Note 9C to the Financial Statements for the year 2022 in connection with investments by Fattal Properties (Europe), in FATTAL EUROPEAN PARTNERSHIP II LP (hereinafter - the Partnership), it should be noted that during the first half, Fattal Properties (Europe) invested a further EUR 23 million according to its share in calls for money made by the Partnership. As of the date of signing the Report, Fattal Properties (Europe) invested a total of about EUR 71.5 million out of its total commitment (EUR 100 million).

Up to June 30, 2023, the Partnership purchased 19 hotels in Spain, Poland, Cyprus, Austria, Greece, the UK, Germany and Italy at a total cost of about EUR 651 million (December 31, 2022 – EUR 386 million).

Fattal Properties (Europe) is examining the possibility of establishing another Israeli limited partnership in the hotel sector together with institutional bodies in Israel, which will operate in a format similar to the format in which the Hotel Enterprise described above operates. According to the emerging outline, the total scope of investment of the limited partners in the additional partnership will amount to approximately EUR 400 to 500 million.

In July, Fattal Properties (Europe) signed an agreement to purchase a 59-room hotel in Paris, France, in accordance with the hotel's value of approximately EUR 31 million. Completion of the deal is expected at the end of 2023 and Fattal Properties (Europe) is designating the hotel to the new partnership as described above.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- c. Further to what was stated in Note 9C to the Consolidated Financial Statements for 2022 regarding the acquisition of 50% of the Company that owns 4 hotels in London (hereinafter - the "Investee Company"), on April 4, 2023 the Company signed an Addendum to the Original Purchase Agreement, according to which 7% of the Partner's share was purchased which constitute an addition of approximately 3.5% of the capital of the Investee Company in exchange for approximately GBP 9 million. After the purchase, the holding percentage of the Company is approximately 53.5%. It should be noted that since the additional shares purchased do not confer voting rights, the Company does not have control over the Investee Company, and thus the investment is managed according to the book value method.

- d. During the month of November 2022, an investee company (100% in a final chain of ownership) entered into an agreement to purchase 89.9% of the shares of a company that owns a property in Cologne, Germany, in a Turn Key transaction, in exchange for a total of approximately EUR 42 million. As part of the transaction, the investee company took bank financing in the amount of approximately EUR 27 million at a fixed interest rate of approximately 4.8%. The transaction was completed in June 2023.

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, 2022</u>		<u>December 31, 2022</u>	
	<u>Book value</u> <u>(*)</u>	<u>Fair value</u>	<u>Book value</u> <u>(*)</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)	2,523,633	2,531,076	2,737,384	2,540,635
Fixed interest loans (Level 3 of the fair value hierarchy)	1,730,726	1,664,800	1,522,952	1,425,138
Total	<u>4,254,359</u>	<u>4,195,876</u>	<u>4,260,336</u>	<u>3,965,773</u>

	<u>June 30, 2023</u>		<u>Convenience translation (note 1d)</u> <u>June 30, 2023</u>	
	<u>Book value</u> <u>(*)</u>	<u>Fair value</u>	<u>Book value</u> <u>(*)</u>	<u>Fair value</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)	2,737,885	2,558,238	681,320	636,615
Fixed interest loans (Level 3 of the fair value hierarchy)	1,592,937	1,514,575	396,401	376,901
Total	<u>4,330,822</u>	<u>4,072,813</u>	<u>1,077,721</u>	<u>1,013,516</u>

(*) Including interest payable.

NOTE 6:- REVENUES FROM HOSPITALITY SERVICES AND OTHERS

	<u>Year ended</u> <u>December 31,</u> <u>2022</u>	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>		<u>Convenience translation</u> <u>(Note 1d)</u> <u>Six months</u> <u>Ended June 30,</u> <u>2023</u>
	<u>Audited</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>Unaudited</u>
	<u>N I S in thousands</u>					
	<u>Euro</u>					
Rooms	4,236,121	1,173,330	1,493,459	1,732,098	2,434,898	605,922
Food and beverages	864,222	237,153	285,311	372,925	496,166	123,470
Other services	345,176	91,659	104,489	148,368	192,026	47,786
Hotel management fees	25,899	5,052	7,839	5,755	9,919	2,468
	<u>5,471,418</u>	<u>1,507,194</u>	<u>1,891,098</u>	<u>2,259,146</u>	<u>3,133,009</u>	<u>779,646</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") for making decisions about resources to be allocated and assessing performance. The Group's activity is conducted through three reportable operating segments: in Israel, in Europe (except for the United Kingdom, Ireland and Mediterranean basin) and in the United Kingdom and Ireland. In addition, the Group has investment through subsidiaries in Mediterranean basin and other investment, which do not amount a reportable segment, and, accordingly, is reported as other.

Segment performance is evaluated principally based on revenues and operating income before depreciation and amortization, financing and other expenses (EBITDA), including in respect of hotels owned through associate companies.

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly the Group's headquarter assets, general and administrative costs, finance and taxes on income are managed on a group basis.

The chief operating decision maker continues to examine the operating segments according to the old leases standard, IAS 17. Accordingly, adjustments were added in respect of the new leases standard, IFRS 16.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):b. Reporting on operating segments

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16) NIS	Total	Adjustments for IFRS 16	Total	Convenience translation (Note 1d) Total Euro
	(In thousands)								
Six months ended June 30, 2023 (unaudited)									
Segment revenues	887,420	1,205,410	985,024	227,581	(172,426)	3,133,009	-	3,133,009	779,646
Operating income before depreciation and amortization, other operating expenses and rental expenses	214,134	426,701	322,286	85,427	(41,661)	1,006,887	-	1,006,887	250,563
Operating income before depreciation and amortization and other operating expenses	146,599	191,314	82,474	41,694	(116,644)	345,437	602,437	947,874	235,878
Depreciation and amortization	(54,457)	(81,061)	(48,779)	(16,355)	32,125	(168,527)	(371,279)	(539,806)	(134,329)
Other operating expenses, net								(5,833)	(1,452)
Finance expenses, net								(494,106)	(122,957)
Group's share of losses of associate companies and partnerships accounted for at equity								(14,550)	(3,622)
Loss before tax benefit								(106,421)	(26,482)
Tax benefit								31,028	7,720
Loss for the period								(75,393)	(18,762)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
Six months ended June 30, 2022 (unaudited)								
Segment revenues	761,645	719,664	782,488	108,247	(112,898)	2,259,146	-	2,259,146
Operating income before depreciation and amortization, other operating expenses and rental expenses	185,047	224,172	256,706	49,119	(58,279)	656,765	-	656,765
Operating income before depreciation and amortization and other operating expenses	128,759	71,843	27,073	17,352	(84,702)	160,325	475,625	635,950
Depreciation and amortization	(46,745)	(86,084)	(42,299)	(11,103)	35,011	(151,220)	(322,924)	(474,144)
Other operating income, net								16,221
Finance expenses, net								(425,215)
Group's share of losses of associate companies and partnerships accounted for at equity								(14,232)
Loss before tax benefit								(261,420)
Tax benefit								97,357
Loss for the period								(164,063)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
<u>Three months ended June 30, 2023</u> (unaudited)								
Segment revenues	531,069	736,758	560,776	148,206	(85,711)	1,891,098	-	1,891,098
Operating income before depreciation and amortization, other operating expenses and rental expenses	162,475	307,142	191,436	61,682	(10,271)	712,464	-	712,464
Operating income before depreciation and amortization and other operating expenses	130,904	177,750	80,699	35,834	(71,770)	353,417	307,370	660,787
Depreciation and amortization	(27,502)	(39,641)	(25,634)	(8,691)	15,192	(86,276)	(191,410)	(277,686)
Other operating expenses, net								(3,736)
Finance expenses, net								(248,280)
Group's share of earnings of associate companies and partnerships accounted for at equity								5,679
Income before taxes on income								136,764
Taxes on income								(16,739)
Net income								120,025

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: - OPERATING SEGMENTS (cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
<u>Three months ended June 30, 2022</u> (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 7: - OPERATING SEGMENTS (cont.):

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
Year ended December 31, 2022 (audited):								
Segment revenues	1,776,259	1,874,946	1,772,621	387,572	(339,980)	5,471,418	-	5,471,418
Operating income before depreciation and amortization, other operating expenses and rental expenses	473,270	684,822	632,821	155,131	(121,034)	1,825,010	-	1,825,010
Operating income before depreciation and amortization and other operating expenses	351,341	346,610	154,059	78,818	(184,905)	745,923	985,764	1,731,687
Depreciation and amortization	(97,231)	(130,808)	(115,318)	(24,225)	33,642	(333,940)	(671,394)	(1,005,334)
Other operating income, net								21,948
Finance expenses, net								(882,817)
Group's share of earnings of associate companies and partnerships accounted for at equity								861
Loss before tax benefit								(133,655)
Tax benefit								55,199
Loss for the period								(78,456)