

Alrov Properties and Lodgings Ltd.

**Condensed Consolidated Interim
Financial Statements
As of March 31, 2025
(Unaudited)**



Somekh Chaikin
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KPMG Millennium Tower
Tel Aviv 6100601, Israel
+972 3 684 8000

_____, 2025

Alrov Properties and Lodgings Ltd.
Tel Aviv

Dear Sirs,

At your request and as the auditors of your Company, we hereby confirm that the consolidated statement of financial position and consolidated statements of income, comprehensive income, changes in equity and cash flows, attached hereto and marked with our stamp for purposes of identification, were extracted from the Company's consolidated financial statements as of March 31, 2025. The aforesaid unaudited financial statements also include accompanying notes which are not presented herein.

With respect to the aforementioned consolidated financial statements as at March 31, 2025, we enclosed a review report, which was dated May 26, 2025. A translation of such review report is also attached hereto and marked with our stamp for purposes of identification.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)



Somekh Chaikin
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Tel Aviv 6100601, Israel
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Auditors' Review Report to the Shareholders of Alrov Properties and Lodging Ltd.

Introduction

We have reviewed the accompanying financial information of Alrov Properties and Lodgings Ltd. and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of March 31, 2025 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “Interim Financial Reporting”, and are also responsible for the preparation of financial information for this interim period in accordance with Section 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 certain consolidated subsidiaries whose assets included in consolidation constitute approximately 19% of total consolidated assets as of March 31, 2025, and whose revenues included in consolidation constitute approximately 14% of total consolidated revenues for the three month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. 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 financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, 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 does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)
May 26, 2025

Condensed Consolidated Interim Statements of Financial Position

	March 31 2025	March 31 2024	December 31 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Cash and cash equivalents	134,539	151,162	90,483
Securities at fair value through profit or loss	1,226,899	865,033	1,131,575
Trade receivables	37,569	35,631	44,032
Other receivables, including derivative instruments	77,155	94,003	60,628
Current tax assets	2,477	1,773	3,703
Hotelier inventory	26,387	24,567	24,636
Total current assets	1,505,026	1,172,169	1,355,057
Investments in equity accounted investees	628	593	662
Other investments at fair value through profit or loss	12,228	6,237	12,003
Long-term receivables, including derivative instruments	50,146	78,657	44,224
Investment property	11,210,595	10,419,465	10,755,178
Fixed assets at cost	82,521	98,523	87,120
Fixed assets at revalued amount	5,528,772	5,339,880	5,343,745
Intangible assets	183,419	181,467	173,135
Total non-current assets	17,068,309	16,124,822	16,416,067
Total assets	18,573,335	17,296,991	17,771,124

Condensed Consolidated Interim Statements of Financial Position (cont'd)

	March 31 2025 (Unaudited) NIS thousands	March 31 2024 (Unaudited) NIS thousands	December 31 2024 (Audited) NIS thousands
Credit from banks	384,320	289,124	379,978
Loans and current maturities of loans from banks	1,425,424	1,444,383	190,844
Commercial securities and current maturities of debentures	849,403	109,595	848,849
Short term employee benefits	21,231	19,160	19,397
Trade payables	63,604	86,663	54,971
Other payables, including derivative instruments	358,209	409,078	352,395
Current tax liabilities	12,401	8,658	11,841
Total current liabilities	3,114,592	2,366,661	1,858,275
Loans from banks	4,860,707	5,258,876	5,683,968
Debentures	1,143,280	1,048,349	1,139,661
Other financial liabilities including derivative instruments	160,473	140,972	115,097
Employee benefits	14,619	12,604	12,972
Deposits	21,310	20,018	20,453
Deferred tax liabilities	1,739,719	1,538,113	1,657,421
Total non-current liabilities	7,940,108	8,018,932	8,629,572
Total liabilities	11,054,700	10,385,593	10,487,847
Equity			
Share capital	32,270	32,656	32,270
Capital reserve from merger	169,126	201,731	169,126
Revaluation reserve for fixed assets, net of tax	1,616,245	1,471,643	1,617,552
Translation reserve from foreign operations	183,588	123,065	95,982
Reserve from transactions with non-controlling interests	(106,615)	(105,547)	(105,547)
Retained earnings	4,137,896	3,725,585	4,016,620
Total equity attributable to owners of the Company	6,032,510	5,449,133	5,826,003
Non-controlling interests	1,486,125	1,462,265	1,457,274
Total equity	7,518,635	6,911,398	7,283,277
Total equity and liabilities	18,573,335	17,296,991	17,771,124

Alfred Akirov – Chairman of the Board

Shmuel Ben-Moshe – CEO

Meir Elhakham – Financial Manager

Date of approval of the financial statements: May 26, 2025

Condensed Consolidated Interim Income Statements

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Revenues			
Hotel operations	139,421	132,802	708,452
Rent	116,740	115,543	478,823
Income from property management	13,287	12,754	51,508
Gain from securities at fair value through profit or loss and other income	91,030	80,417	381,564
Other income	134,541	-	1,292
Increase in fair value of investment property, net	548	-	223,882
The Company's share of profits of associates, net of tax	-	-	90
	<u>495,567</u>	<u>341,516</u>	<u>1,845,611</u>
Expenses			
Hotel operations	146,877	134,604	607,535
Closing of hotels	-	2,980	2,980
Hotel depreciation	26,884	27,801	112,390
Total expenses from hotel operations	<u>173,761</u>	<u>165,385</u>	<u>722,905</u>
Operation of assets	7,773	9,290	37,804
Property management expenses	11,558	11,107	45,528
Depreciation general and administrative	3,280	3,434	13,568
General and administrative	27,076	30,600	117,058
Loss from securities at fair value through profit or loss and other expenses	-	-	630
Decrease in fair value of investment property	-	3,862	-
The Company's share of losses of associates, net of tax	69	12	-
	<u>223,517</u>	<u>223,690</u>	<u>937,493</u>
Operating profit	<u>272,050</u>	<u>117,826</u>	<u>908,118</u>
Financing expenses			
Financing income	6,763	481	172,931
Financing expenses	(83,906)	(82,977)	(578,540)
Financing expenses, net	<u>(77,143)</u>	<u>(82,496)</u>	<u>(405,609)</u>
Profit before taxes on income	<u>194,907</u>	<u>35,330</u>	<u>502,509</u>
Income tax expenses	(55,476)	(13,406)	(116,909)
Net profit for the period	<u>139,431</u>	<u>21,924</u>	<u>385,600</u>
Net earnings per share – in NIS			
Basic and fully diluted	<u>5.89</u>	<u>0.40</u>	<u>14.43</u>

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	139,431	21,924	385,600
Other comprehensive income (loss) item that after initial recognition in comprehensive income will be transferred to profit or loss			
Foreign currency translation differences for foreign operations	<u>157,279</u>	<u>(199,574)</u>	<u>(246,598)</u>
Total other comprehensive income (loss) for the period that after initial recognition in comprehensive income will be transferred to profit or loss	<u>157,279</u>	<u>(199,574)</u>	<u>(246,598)</u>
Other comprehensive income (loss) items that will not be transferred to profit or loss			
Remeasurement of defined benefit plan, net of tax	-	-	(453)
Revaluation of fixed assets, net of tax	<u>(1,307)</u>	<u>(2,800)</u>	<u>143,109</u>
Total other comprehensive income (loss) for the period that will not be transferred to profit or loss	<u>(1,307)</u>	<u>(2,800)</u>	<u>142,656</u>
Total comprehensive income (loss) for the period	<u>295,403</u>	<u>(180,450)</u>	<u>281,658</u>
Total comprehensive income (loss) attributable to:			
Owners of the Company	207,575	(109,270)	300,591
Non-controlling interests	<u>87,828</u>	<u>(71,180)</u>	<u>(18,933)</u>
Total comprehensive income (loss) for the period	<u>295,403</u>	<u>(180,450)</u>	<u>281,658</u>

Condensed Consolidated Interim Statements of Changes in Equity

	For the three months ended March 31, 2025 (unaudited)							Non-controlling interests	Total equity
	Share capital	Capital reserve from merger	Translation reserve from foreign operations	Reserve from transactions with non-controlling interests	Revaluation reserve for fixed assets, net of tax	Retained earnings	Total		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	Attributable to the owners of the Company								
Balance at January 1, 2025	32,270	169,126	95,982	(105,547)	1,617,552	4,016,620	5,826,003	1,457,274	7,283,277
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	121,276	121,276	18,155	139,431
<u>Items of other comprehensive income (loss)</u>									
Revaluation of fixed assets, net of tax	-	-	-	-	(1,307)	-	(1,307)	-	(1,307)
Foreign currency translation differences for foreign operations	-	-	87,606	-	-	-	87,606	69,673	157,279
Total comprehensive income (loss) for the period	-	-	87,606	-	(1,307)	121,276	207,575	87,828	295,403
Transaction with owners that were recognized directly in equity									
Dividend to non-controlling interests	-	-	-	-	-	-	-	(59,711)	(59,711)
Transaction with non-controlling interests	-	-	-	(1,068)	-	-	(1,068)	734	(334)
Balance at March 31, 2025	32,270	169,126	183,588	(106,615)	1,616,245	4,137,896	6,032,510	1,486,125	7,518,635

The balances at March 31, 2025 of share capital, share premium and capital reserve from merger include a repurchase of the Company's shares in the total amount of NIS 622,917 thousand.

Condensed Consolidated Interim Statements of Changes in Equity (cont'd)

	For the three months ended March 31, 2024 (unaudited)							Non-controlling interests	Total equity
	Share capital	Capital reserve from merger	Translation reserve from foreign operations	Reserve from transactions with non-controlling interests	Revaluation reserve for fixed assets, net of tax	Retained earnings	Total		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	Attributable to the owners of the Company								
Balance at January 1, 2024	32,669	202,778	237,852	(105,547)	1,474,443	3,717,268	5,559,463	1,533,131	7,092,594
Comprehensive income (loss) for the period									
Profit for the period	-	-	-	-	-	8,317	8,317	13,607	21,924
<u>Items of other comprehensive income (loss)</u>									
Revaluation of fixed assets, net of tax	-	-	-	-	(2,800)	-	(2,800)	-	(2,800)
Foreign currency translation differences for foreign operations	-	-	(114,787)	-	-	-	(114,787)	(84,787)	(199,574)
Total comprehensive income (loss) for the period	-	-	(114,787)	-	(2,800)	8,317	(109,270)	(71,180)	(180,450)
Transaction with owners that were recognized directly in equity									
Transaction with non-controlling interests	-	-	-	-	-	-	-	314	314
Dividend									
Acquisition of treasury shares	(13)	(1,047)	-	-	-	-	(1,060)	-	(1,060)
Balance at March 31, 2024	32,656	201,731	123,065	(105,547)	1,471,643	3,725,585	5,449,133	1,462,265	6,911,398

The balances at March 31, 2024 of share capital, share premium and capital reserve from merger include a repurchase of the Company's shares in the total amount of NIS 589,926 thousand.

Condensed Consolidated Interim Statements of Changes in Equity (cont'd)

	For the year ended December 31, 2024 (audited)								
	Share capital	Capital reserve from merger	Translation reserve from foreign operations	Reserve from transactions with non-controlling interests	Revaluation reserve for fixed assets, net of tax	Retained earnings	Total	Non-controlling interests	Total equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	Attributable to the owners of the Company								
Balance at January 1, 2024	32,669	202,778	237,852	(105,547)	1,474,443	3,717,268	5,559,463	1,533,131	7,092,594
Comprehensive income (loss) for the year									
Profit for the year	-	-	-	-	-	299,425	299,425	86,175	385,600
Items of comprehensive income (loss)									
Re-measurement of defined benefit plan, net of tax	-	-	-	-	-	(73)	(73)	(380)	(453)
Revaluation of fixed assets, net of tax	-	-	-	-	143,109	-	143,109	-	143,109
Foreign currency translation differences for foreign operations	-	-	(141,870)	-	-	-	(141,870)	(104,728)	(246,598)
Total comprehensive income for the year	-	-	(141,870)	-	143,109	299,352	300,591	(18,933)	281,658
Transaction with owners that were recognized directly in equity:									
Acquisition of treasury shares	(399)	(33,652)	-	-	-	-	(34,051)	-	(34,051)
Transaction with non-controlling interests	-	-	-	-	-	-	-	(19)	(19)
Dividend distributed to non-controlling interests	-	-	-	-	-	-	-	(56,905)	(56,905)
Balance at December 31, 2024	32,270	169,126	95,982	(105,547)	1,617,552	4,016,620	5,826,003	1,457,274	7,283,277

The balances at December 31, 2024 of share capital, share premium and capital reserve from merger include a repurchase of the Company's shares in the total amount of NIS 622,917 thousand.

Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities			
Net profit for the period	139,431	21,924	385,600
Adjustments:			
Depreciation	30,164	31,235	125,958
Decrease (increase) in fair value of investment property	(548)	3,862	(223,882)
Amortization of costs of raising loans and debentures	993	166	5,399
Erosion of deposits, net	81	44	229
The Company's share in losses (profits) of equity accounted investees	69	12	(90)
Gain from securities and other investments	(91,030)	(80,418)	(380,932)
Financing costs, net	78,069	83,054	399,264
Interest paid	(60,076)	(72,617)	(299,805)
Income tax paid, net	(12,054)	(10,928)	(28,646)
Income tax expense	55,476	13,406	116,909
	140,575	(10,260)	100,004
Change in trade receivables and other receivables	(5,458)	(9,471)	(19)
Change in long-term receivables	495	(3,428)	(5,649)
Change in current liabilities	(102,883)	57,271	(19,042)
Change in hotelier inventory	(911)	364	(228)
Change in employee benefits	2,413	1,048	1,797
	(106,344)	45,784	(23,141)
Net cash from operating activities	34,231	35,524	76,863
Cash flows from investing activities			
Proceeds from sale of marketable securities	4,496	-	19,215
Investment in marketable securities	(10,760)	(113)	(10,801)
Receipts (payment) for derivatives, net	(47,468)	11,974	80,852
Dividends received	1,746	949	20,643
Investment in fixed assets	(6,600)	(4,147)	(16,738)
Investment in investment property	(26,320)	(27,063)	(203,696)
Change in long-term receivables	-	-	691
Changes in deposits	217	89,986	101,560
Payments of VAT on investment property and fixed assets, net	-	-	(684)
Net cash from (used in) investing activities	(84,689)	71,586	(8,958)

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Cash flows from financing activities			
Credit from banks, net	(28,706)	15,365	(20,449)
Receipt of long-term loans from banks, less raising expenses	174,690	6,714	409,663
Repayment of long-term loans from banks	(43,556)	(72,844)	(1,064,412)
Repayment of credit from suppliers in respect of construction	(5,038)	(11,272)	(101,938)
Proceeds from issuance of debentures (less issuance expenses)	-	-	904,481
Repurchase of own shares	-	(1,060)	(34,051)
Acquisition of non-controlling interests	(660)	-	-
Repayment of debentures including repurchase	-	-	(115,069)
Dividend distributed to non-controlling interests	-	-	(56,905)
Payment of principal of lease liabilities	(2,293)	(2,413)	(6,099)
Change in rent deposits, net	32	(33)	822
Net cash from (used in) financing activities	94,469	(65,543)	(83,957)
Net increase (decrease) in cash and cash equivalents	44,011	41,567	(16,052)
Cash and cash equivalents at beginning of period	90,483	111,814	111,814
Effect of exchange rate fluctuations on cash and cash equivalents	45	(2,219)	(5,279)
Cash and cash equivalents at end of period	134,539	151,162	90,483