FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2019

UNAUDITED

INDEX

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

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

AUDITORS' REVIEW REPORT

To the Shareholders of

FATTAL HOLDINGS (1998) LTD.

Introduction

We have reviewed the accompanying financial information of Fattal Holdings (1998) Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated statements of financial position as of June 30, 2019 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of six and three months 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 not the financial statements of a certain company accounted for at equity, the investment in which amounted NIS 39,463 thousand as of June 30, 2019 and the Company's share of their losses amounted NIS 4,208 thousand and NIS 2,431 thousand for the periods of six and three months then ended, respectively. The financial statements of this company were reviewed by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this company, is based on the reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 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 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 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.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
August 22, 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	June 30, 2018	June 30, 2019	Convenience translation (Note 1b) June 30, 2019
	Audited	Unaudited		Unaudited
	N I S			Euro
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	661,260	899,682	837,070	206,094
Securities held for trading	238,721	206,205	166,053	40,884
Trade receivables	320,081	287,507	453,270	111,598
Other accounts receivable	223,988	217,009	170,543	41,989
Income tax receivable	67,790	53,511	52,604	12,952
Inventories	16,336	9,149	19,933	4,908
Restricted deposit	-	268,071	-	-
	1,528,176	1,941,134	1,699,473	418,425
Assets held for sale	143,752	145,133	145,932	35,930
NON-CURRENT ASSETS:				
Long-term receivables	605,098	153,781	47,052	11,585
Advance on fixed assets	32,342	688,090	37,260	9,174
Loans and Investments in companies and partnerships accounted for at equity	941,919	833,875	1,073,989	264,425
Property, plant and equipment, net	5,151,003	3,766,201	5,528,903	1,361,262
Right-of-use assets, net	-	-	12,492,142	3,075,670
Deferred taxes on right-of-use assets	-	-	86,905	21,397
Deferred taxes	22,966	9,242	25,305	6,230
Intangible assets	463,644	3,896	430,806	106,067
	7,216,972	5,455,085	19,722,362	4,855,810
	8,888,900	7,541,352	21,567,767	5,310,165

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	June 30, 2018	June 30, 2019	Convenience translation (Note 1b) June 30, 2019
	Audited	Unaudited		Unaudited
	NIS			Euro
	(In thousands)			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	285,857	409,208	319,056	78,554
Current maturities of liabilities from leases of right-of-use assets	-	-	233,236	57,425
Current maturities of debentures	177,716	93,040	102,152	25,151
Trade payables	173,725	154,098	310,989	76,568
Income tax payable	118,592	105,951	113,072	27,839
Other accounts payable	613,673	495,529	675,363	166,280
Shareholders	55,907	51,767	3,257	802
	1,425,470	1,309,593	1,757,125	432,619
Liabilities attributed to assets held for sale	45,729	46,177	45,562	11,218
NON-CURRENT LIABILITIES:				
Loans from banks and others	2,245,324	1,835,582	2,453,232	604,006
Debentures, net	1,147,056	1,070,257	1,576,441	388,133
Liabilities from leases of right-of-use assets	-	-	12,441,298	3,063,152
Deferred taxes	335,349	242,108	350,810	86,372
Employee benefit liabilities, net	14,851	13,347	16,088	3,961
Other non-current liabilities	448,862	151,861	53,778	13,241
Shareholders	6,029	5,890	5,772	1,421
	4,197,471	3,319,045	16,897,419	4,160,286
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	635,177	635,142	635,177	156,386
Capital reserves	876,765	671,798	880,922	216,890
Retained earnings	1,577,938	1,437,255	1,222,955	301,102
	3,089,880	2,744,195	2,739,054	674,378
Non-controlling interests	130,350	122,342	128,607	31,664
Total equity	3,220,230	2,866,537	2,867,661	706,042
	8,888,900	7,541,352	21,567,767	5,310,165

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

August 22, 2019		
Date of approval of the financial statements	David Fattal Chairman of the Board and CEO	Shachar Aka CFO

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended December 31, 2018	Three months ended June 30, 2018	Three months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Convenience translation (Note 1b) Six months ended June 30, 2019
	Audited	Unaudited				Unaudited
	N I S (In thousands)					Euro
Revenues from hospitality services and others	3,765,643	853,877	1,491,285	1,457,426	2,515,728	619,393
Cost of revenues	1,994,383	441,116	782,750	815,222	1,406,979	346,410
	1,771,260	412,761	708,535	642,204	1,108,749	272,983
Selling and marketing expenses	111,029	24,090	37,609	46,969	72,636	17,884
General and administrative expenses	340,229	64,646	123,139	123,416	229,311	56,458
	1,320,002	324,025	547,787	471,819	806,802	198,641
Hotel lease expenses	599,262	109,612	25,447	210,639	41,557	10,232
Operating income before depreciation and amortization and other operating income	720,740	214,413	522,340	261,180	765,245	188,409
Depreciation and amortization	170,061	35,899	64,187	69,084	130,906	32,230
Depreciation of revaluation of step-up	42,726	9,541	10,312	20,022	19,948	4,911
Depreciation on right-of-use assets	-	-	152,757	-	276,377	68,046
Other operating expenses, net	(44,392)	(7,211)	(3,343)	(11,455)	(8,440)	(2,078)
Operating income	463,561	161,762	291,741	160,619	329,574	81,144
Finance income	4,815	379	1,809	858	2,301	567
Finance expenses	(129,953)	(26,677)	(43,729)	(52,914)	(58,570)	(14,421)
Financing expenses on liabilities from leases of right-of-use assets	-	-	(165,053)	-	(292,590)	(72,038)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	2,966	684	(932)	(3,028)	1,511	372
Income (loss) before taxes on income	341,389	136,148	83,836	105,535	(17,774)	(4,376)
taxes on income	99,463	40,321	20,983	33,275	7,271	1,790
Net income (loss)	241,926	95,827	62,853	72,260	(25,045)	(6,166)
Attributable to:						
Shareholders of the Company	238,682	94,712	61,470	70,965	(26,574)	(6,542)
Non-controlling interests	3,244	1,115	1,383	1,295	1,529	376
	241,926	95,827	62,853	72,260	(25,045)	(6,166)
Net profit (loss) per share attributed to the Company's shareholders (in NIS)						
Basic and diluted earnings (losses) per share	16.80	6.56	4.26	5.08	(1.84)	(1.84)
Diluted earnings (losses) per share	16.78	6.60	4.25	5.14	(1.84)	(1.84)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	Three months ended June 30,		Six months ended June 30,		Convenience translation (Note 1b) Six months ended June 30,
	2018	2018	2019	2018	2019	2019
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
Net income (loss)	241,926	95,827	62,853	72,260	(25,045)	(6,166)
Other comprehensive income (loss) (after tax effect):						
Amounts that will not be reclassified subsequently to profit or loss:						
Actuarial income, net	717	-	-	-	-	-
Revaluation of properties, net	267,371	91,872	20,580	131,391	92,578	22,793
Group's share in revaluation of properties in companies and partnerships accounted for at equity	54,910	5,913	35,617	23,865	36,741	9,046
Total amounts that will not be reclassified subsequently to profit or loss	322,998	97,785	56,197	155,256	129,319	31,839
Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:						
Income (loss) in respect of cash flow hedging transaction	(34,995)	16,523	16,277	(31,363)	44,911	11,057
Foreign currency translation adjustments	84,343	(37,882)	(35,609)	63,436	(155,555)	(38,298)
Total amounts that will be reclassified subsequently to profit or loss	49,348	(21,359)	(19,332)	32,073	(110,644)	(27,241)
Total other comprehensive income	372,346	76,426	36,865	187,329	18,675	4,598
Total comprehensive income (loss)	614,272	172,253	99,718	259,589	(6,370)	(1,568)
Attributable to:						
Shareholders of the Company	598,149	171,670	97,727	254,094	(4,855)	(1,195)
Non-controlling interests	16,123	583	1,991	5,495	(1,515)	(373)
	614,272	172,253	99,718	259,589	(6,370)	(1,568)

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	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Audited								
	NIS in thousands								
Balance as of January 1, 2018	148,487	-	1,034,581	(98,748)	(18,224)	936,188	2,002,284	98,910	2,101,194
Net income	-	-	238,682	-	-	-	238,682	3,244	241,926
Other comprehensive income (loss)	-	-	-	85,976	(34,995)	308,486	359,467	12,879	372,346
Total comprehensive income (loss)	-	-	238,682	85,976	(34,995)	308,486	598,149	16,123	614,272
Issuance of share capital (net of issuance expenses)	486,690	-	-	-	-	-	486,690	-	486,690
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	15,317	15,317
Vesting option to employees	-	2,757	-	-	-	-	2,757	-	2,757
Transfer from revaluation reserve, due to exercise, net	-	-	264,881	-	-	(264,881)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	39,794	-	-	(39,794)	-	-	-
Balance as of December 31, 2018	635,177	2,757	1,577,938	(12,772)	(53,219)	939,999	3,089,880	130,350	3,220,230

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance as of April 1, 2018	635,620	370	1,021,076	3,274	(66,110)	977,981	2,572,211	121,759	2,693,970
Net income	-	-	94,712	-	-	-	94,712	1,115	95,827
Other comprehensive income (loss)	-	-	-	(38,535)	16,523	98,970	76,958	(532)	76,426
Total comprehensive income (loss)	-	-	94,712	(38,535)	16,523	98,970	171,670	583	172,253
Issuance of share capital	(478)	-	-	-	-	-	(478)	-	(478)
Vesting options for employees	-	792	-	-	-	-	792	-	792
Transfer from revaluation reserve, due to disposal, net	-	-	312,062	-	-	(312,062)	-	-	-
Transfer of amount of depreciation from revaluation reserve, net	-	-	9,405	-	-	(9,405)	-	-	-
Balance as of June 30, 2018	635,142	1,162	1,437,255	(35,261)	(49,587)	755,484	2,744,195	122,342	2,866,537

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	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance as of April 1, 2019	635,177	3,367	1,211,819	(134,347)	(24,585)	1,009,153	2,700,584	126,616	2,827,200
Net income	-	-	61,470	-	-	-	61,470	1,383	62,853
Comprehensive income (loss)	-	-	-	(36,956)	16,277	56,936	36,257	608	36,865
Total comprehensive income (loss)	-	-	61,470	(36,956)	16,277	56,936	97,727	1,991	99,718
Dividend declared to shareholders of the Company	-	-	(60,000)	-	-	-	(60,000)	-	(60,000)
Vesting option to employees	-	743	-	-	-	-	743	-	743
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	9,666	-	-	(9,666)	-	-	-
Balance as of June 30, 2019	635,177	4,110	1,222,955	(171,303)	(8,308)	1,056,423	2,739,054	128,607	2,867,661

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	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance as of January 1, 2018 (audited)	148,487	-	1,034,581	(98,748)	(18,224)	936,188	2,002,284	98,910	2,101,194
Net income	-	-	70,965	-	-	-	70,965	1,295	72,260
Other comprehensive income (loss)	-	-	-	63,487	(31,363)	151,005	183,129	4,200	187,329
Total comprehensive income (loss)	-	-	70,965	63,487	(31,363)	151,005	254,094	5,495	259,589
Issuance of share capital	486,655	-	-	-	-	-	486,655	-	486,655
Repayment of loan granted to non-controlling interests	-	-	-	-	-	-	-	17,937	17,937
Vesting options for employees	-	1,162	-	-	-	-	1,162	-	1,162
Transfer from revaluation reserve, due to disposal, net	-	-	312,062	-	-	(312,062)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	19,647	-	-	(19,647)	-	-	-
Balance as of June 30, 2018	635,142	1,162	1,437,255	(35,261)	(49,587)	755,484	2,744,195	122,342	2,866,537

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	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in thousands								
Balance as of January 1, 2019 (audited)	635,177	2,757	1,577,938	(12,772)	(53,219)	939,999	3,089,880	130,350	3,220,230
Cumulative effect as a result of the initial adoption of IFRS 16 as of January 1, 2019 - see Note 2c(1)	-	-	(287,324)	-	-	-	(287,324)	-	(287,324)
Balance as of January 1, 2019 (after initial adoption of IFRS 16)	635,177	2,757	1,290,614	(12,772)	(53,219)	939,999	2,802,556	130,350	2,932,906
Net income (loss)	-	-	(26,574)	-	-	-	(26,574)	1,529	(25,045)
Comprehensive income (loss)	-	-	-	(158,531)	44,911	135,339	21,719	(3,044)	18,675
Total comprehensive income (loss)	-	-	(26,574)	(158,531)	44,911	135,339	(4,855)	(1,515)	(6,370)
Dividend declared to shareholders of the Company	-	-	(60,000)	-	-	-	(60,000)	-	(60,000)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(228)	(228)
Vesting option to employees	-	1,353	-	-	-	-	1,353	-	1,353
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	18,915	-	-	(18,915)	-	-	-
Balance as of June 30, 2019	635,177	4,110	1,222,955	(171,303)	(8,308)	1,056,423	2,739,054	128,607	2,867,661

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Convenience translation into Euro (Note 1b)								
	Attributable to equity holders of the Company								
	Share capital and premium	Share-based payment	Retained earnings	Foreign currency translation adjustments	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited (In thousands)								
Balance as of January 1, 2019 (audited)	156,386	679	388,502	(3,145)	(13,102)	231,435	760,755	32,093	792,848
Cumulative effect as a result of the initial adoption of IFRS 16 as of January 1, 2019 - see Note 2c(1)	-	-	(70,742)	-	-	-	(70,742)	-	(70,742)
Balance as of January 1, 2019 (after initial adoption of IFRS 16)	156,386	679	317,760	(3,145)	(13,102)	231,435	690,013	32,093	722,106
Net income (loss)	-	-	(6,542)	-	-	-	(6,542)	376	(6,166)
Comprehensive income (loss)	-	-	-	(39,031)	11,057	33,321	5,347	(749)	4,598
Total comprehensive income (loss)	-	-	(6,542)	(39,031)	11,057	33,321	(1,195)	(373)	(1,568)
Dividend declared to shareholders of the Company	-	-	(14,773)	-	-	-	(14,773)	-	(14,773)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(56)	(56)
Vesting option to employees	-	333	-	-	-	-	333	-	333
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	4,657	-	-	(4,657)	-	-	-
Balance as of June 30, 2019	156,386	1,012	301,102	(42,176)	(2,045)	260,099	674,378	31,664	706,042

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2018	Three months ended June 30, 2018	Three months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Convenience translation (Note 1b) Six months ended June 30, 2019
	Audited	Unaudited				Unaudited
	N I S (In thousands)					Euro
Cash flows from operating activities:						
Net income (loss)	241,926	95,827	62,853	72,260	(25,045)	(6,166)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	212,787	45,440	227,256	89,106	427,231	105,187
Finance expenses, net	125,327	29,738	209,318	52,463	355,453	87,517
Group's share of losses (earnings) of companies and partnerships accounted for at equity	(2,966)	(684)	932	3,028	(1,511)	(372)
Change in liabilities for time-sharing rights, net	(1,081)	(280)	(266)	(520)	(492)	(121)
Change in employee benefit liabilities, net	(666)	784	421	1,676	1,492	367
Costs related to transactions for the purchase of assets	18,124	-	-	-	-	-
Loss (gain) from impairment of fixed assets	-	(57)	(945)	4,214	3,071	756
Taxes on income (tax benefit)	99,463	40,321	20,983	33,275	7,271	1,790
Share-based payment expense	2,757	792	743	1,162	1,353	333
Loss (profit) from a change in the value of securities held for trading	2,538	(135)	(1,969)	345	(5,694)	(1,402)
	456,283	115,919	456,473	184,749	788,174	194,055
Changes in asset and liability items:						
Increase in trade receivables	(21,468)	(45,017)	(87,437)	(71,914)	(119,485)	(29,418)
Decrease (increase) in other accounts receivable	(18,548)	1,026	127,009	(55,664)	101,328	24,948
Increase in inventories	(778)	(935)	(3,205)	(1,188)	(2,498)	(615)
Decrease (increase) in long-term receivables	1,263	(5,773)	(21,190)	(4,428)	(33,266)	(8,190)
Increase (decrease) in trade payables	(23,553)	(17,741)	64,316	17,648	120,806	29,743
Increase (decrease) in other accounts payable	(25,919)	27,080	24,643	35,254	(9,757)	(2,402)
Increase (decrease) in other non-current liabilities	9,071	(3,950)	(159)	1,083	8,537	2,101
	(79,932)	(45,310)	103,977	(79,209)	65,665	16,167
Cash paid during the period for:						
Taxes received	-	-	15,911	-	28,896	7,114
Taxes paid	(133,256)	(31,589)	(19,101)	(50,290)	(46,180)	(11,370)
interest paid for leases of right-of-use assets	-	-	(162,899)	-	(291,072)	(71,664)
Other Interest paid, net	(123,257)	(23,994)	(37,144)	(47,629)	(57,330)	(14,115)
	(256,513)	(55,583)	(203,233)	(97,919)	(365,686)	(90,035)
Net cash provided by operating activities	361,764	110,853	420,070	79,881	463,108	114,021

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	Three months ended June 30,		Six months ended June 30,		Convenience translation (Note 1b) Six months ended June 30,
	2018	2018	2019	2018	2019	2019
	Audited	Unaudited				Unaudited
	N I S (In thousands)					Euro
Cash flows from investing activities:						
Proceeds from sale of fixed assets	668,051	668,051	-	668,051	-	-
Purchase of property, plant and equipment, net	(765,193)	(201,168)	(72,676)	(292,654)	(504,842)	(124,296)
Advance of investment in fixed assets	(1,627)	(43,896)	349	(45,908)	(6,653)	(1,638)
Purchase of companies initially consolidated (Appendix A)	(728,962)	-	(33,328)	-	(83,449)	(20,546)
Exit from consolidation (Appendix B)	20,741	-	-	-	-	-
Sale and purchase of securities held for trading, net	(210,673)	98,049	(31,878)	(175,964)	78,362	19,293
Loans and Investment in companies and partnerships accounted for at equity	(86,539)	(7,132)	(75,750)	(22,558)	(87,561)	(21,558)
Other assets, net	(167)	(3)	-	(166)	(1,501)	(369)
Withdrawal of (placement in) designated deposit	(59,142)	(356,610)	65,778	(346,096)	67,398	16,595
Investment (return of investment) in various companies	(113)	(173)	(13,777)	(123)	(19,714)	(4,854)
Net cash provided by (used in) investing activities	(1,163,624)	157,118	(161,282)	(215,418)	(557,960)	(137,373)
Cash flows from financing activities:						
Dividend paid	(49,544)	-	(110,039)	(49,544)	(110,039)	(27,092)
Issuance of share capital (net of issuance expenses)	480,497	(625)	-	480,562	-	-
Short-term credit from banking corporations, net	(19,958)	(589)	2,692	(5,231)	2,989	736
Repayment of long-term loans from banking corporations and others	(383,771)	(52,222)	(70,988)	(104,975)	(125,405)	(30,876)
Repayment of debentures	(82,814)	(8,269)	(10,763)	(36,574)	(128,273)	(31,582)
Repayment of liabilities from leases of right-of-use assets	-	-	(72,567)	-	(275,596)	(67,854)
Receipt of long-term loans from banking corporations and others	582,774	-	134,242	12,000	444,635	109,473
Issue of debentures, net	524,455	323,146	168,579	323,146	481,365	118,516
Net cash provided by financing activities	1,051,639	261,441	41,156	619,384	289,676	71,321
Translation differences in respect of balances of cash and cash equivalents	1,489	(3,348)	(733)	6,139	(18,953)	(4,668)
Increase in cash and cash equivalents	251,268	526,064	299,211	489,986	175,871	43,301
Cash included in assets held for sale	321	(136)	70	25	(61)	(15)
Cash and cash equivalents at beginning of period	409,671	373,754	537,789	409,671	661,260	162,808
Cash and cash equivalents at end of period	661,260	899,682	837,070	899,682	837,070	206,094
Material non-cash activities:						
Recognition of the right-of-use assets against lease liabilities	-	-	189,679	-	3,747,478	922,661
Purchase of property, plant and equipment	3,184	83,422	745	83,422	745	183

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2018	Three months ended June 30, 2018	Three months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Convenience translation (Note 1b) Six months ended June 30, 2019
	Audited	Unaudited				Unaudited
	N I S (In thousands)					Euro
(a) Acquisition of initially consolidated subsidiaries:						
The subsidiaries' assets and liabilities at date of acquisition:						
Working capital (excluding cash and cash equivalents)	199,968	-	(90)	-	19,948	4,911
Non-current assets	(471,292)	-	4,233	-	(34,626)	(8,525)
Deferred taxes	47,818	-	(869)	-	411	101
Property, plant and equipment	(902,188)	-	(33,235)	-	(103,394)	(25,456)
Goodwill created on acquisition (including brand)	(451,036)	-	(3,370)	-	2,102	518
Non-current liabilities	273,385	-	3	-	32,110	7,905
Less advance that paid in previous periods	574,383	-	-	-	-	-
	(728,962)	-	(33,328)	-	(83,449)	(20,546)
(b) Exit from consolidation:						
Current assets	23,262	-	-	-	-	-
Non-current assets	17,913	-	-	-	-	-
Current liabilities	(255)	-	-	-	-	-
Non-current liabilities	(20,179)	-	-	-	-	-
	20,741	-	-	-	-	-

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

NOTE 1: - GENERAL

a. These financial statements have been prepared in a condensed format as of June 30, 2019 and for the periods of six and three months 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, 2018 and for the year then ended and accompanying notes, which are included as part of the prospectus ("annual financial statements").

b. The financial statements as of June 30, 2019 and for the six months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 4.0616) 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 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 financial statements, except as described below:

b. Leases:

As detailed in paragraph c(1) below regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Company chose to adopt the provisions of the Standard using the modified retrospective approach (without restatement of comparative figures).

The accounting policy on leases applied before December 31, 2018 is as follows:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Leases (Cont.):

The Group as lessee

1. Finance leases:

A lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the Group is classified as a finance lease. At the commencement of the lease term, the leased asset is measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The leased asset is depreciated over the shorter of its useful life and the lease term.

2. Operating leases:

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred to the Group are classified as operating leases. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The accounting policy on leases applied effective from January 1, 2019 is as follows:

The Company accounts for a contract as a lease when the contract terms convey the right-of-use an underlying asset for a period of time in exchange for consideration.

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term. The Company tests for impairment the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Leases (Cont.):

2. Variable lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset. The effect of the change in the index on current payments is recorded in profit or loss.

3. Variable lease payments:

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Company is the lessee.

4. Lease extension and termination options:

A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised, and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

5. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability in the modified contract at the revised discount rate on the modification date and carries the change in the lease liability to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a profit or loss arising from the partial or full reduction in the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate on the modification date and carries the change in the lease liability to the right-of-use asset.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

1. Initial adoption of IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the Standard"), which supersedes IAS 17, "Leases" ("the old Standard"), IFRIC 4, "Determining Whether an Arrangement Contains a Lease", and SIC-15, "Operating Leases - Incentives". According to the Standard, a lease is a contract, or part of a contract, that conveys the right-of-use an asset for a period of time in exchange for consideration.

The effects of the adoption of the Standard are as follows:

- According to the Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the CPI or interest rates but are based on performance or usage are recognized as an expense by the lessees as incurred or recognized as income by the lessors as earned.

- In the event of changes in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

The Standard has been applied for the first time in these financial statements. As permitted by the Standard, the Group elected to adopt the provisions of the Standard using the modified retrospective method whereby the carrying amount of the right-of-use assets were measured as if the Standard has been applied from the commencement date of the lease but for the purpose of calculation, the lessee's incremental borrowing rate on the date of initial adoption was used.

According to this approach, no comparative figures are restated. The carrying amount of the lease liability as of the date of initial adoption of the Standard is calculated using the Company's incremental borrowing rate on the date of initial adoption of the Standard.

See details of the accounting policy applied from the date of initial adoption of the Standard in paragraph b above.

The main effect of the initial adoption of the Standard relates to existing leases in which the Company acts as lessee. According to the Standard, as explained in paragraph b above, excluding certain practical expedients, the Company recognizes for each lease contract in which it acts as lessee the carrying amount of the lease liability against the carrying amount of the right-of-use asset, as opposed to the treatment in the old Standard according to which the lease payments in leases in which substantially all the risks and rewards incidental to ownership of the leased asset were not effectively transferred to the lessee were recognized as an expense in profit or loss using the straight-line method over the lease term.

Following are data relating to the initial adoption of the Standard as of January 1, 2019, in respect of existing leases as of that date:

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

a) Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019:

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	NIS in thousands		
As of January 1, 2019:			
Non-current assets:			
Other receivables	605,098	(516,024)	89,074
Right-of-use assets, net	-	9,482,516	9,482,516
Loans and Investment in companies and partnerships accounted for at equity	941,919	3,046	944,965
Deferred taxes on right-of-use assets	-	69,004	69,004
Current liabilities:			
Current maturities of liabilities from leases of right-of-use assets	-	(310,033)	(310,033)
Non-current liabilities:			
Liabilities from leases of right-of-use assets	-	(9,363,563)	(9,363,563)
Other non-current liabilities	(448,862)	347,730	(97,265)
Retained earnings	(1,577,938)	287,324	(1,290,614)

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

a) Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019 (Cont.):

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	Euro in thousands		
As of January 1, 2019:			
Non-current assets:			
Other receivables	148,980	(127,049)	21,931
Right-of-use assets, net	-	2,334,675	2,334,675
Loans and Investment in companies and partnerships accounted for at equity	231,908	750	232,658
Deferred taxes on right-of-use assets	-	16,989	16,989
Current liabilities:			
Current maturities of liabilities from leases of right-of-use assets	-	(76,333)	(76,333)
Non-current liabilities:			
Liabilities from leases of right-of-use assets	-	(2,305,388)	(2,305,388)
Other non-current liabilities	(110,514)	85,614	(23,947)
Retained earnings	(388,502)	70,742	(317,760)

b) The Group hired an external valuation expert for determining the nominal interest rate for discounting its leases based on the companies' financing risk, the average duration of the leases and other economic variables such as: quality, geographical area and the currency in which the lease contract is specified

A weighted average incremental borrowing rate of 3.32%-6.76% was used to discount future lease payments in the calculation of the lease liability on the date of initial adoption of the Standard.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

c) The table below explains the difference between the operating lease obligations that were disclosed in Note 19b to the annual financial statements as of December 31, 2018, to the lease liability recognized as of January 1, 2019:

	January 1, 2019 NIS in thousands	January 1, 2019 Euro in thousands
Total future minimum lease payments for non-cancellable leases as per IAS 17 according to the financial statements as of December 31, 2018	14,953,073	3,681,572
The effect of changes in expectation to exercise lease extension options and/or termination options	1,426,352	351,180
Total undiscounted lease liabilities as per IFRS 16	16,379,425	4,032,752
Effect of discount of future lease payments at the Company's incremental borrowing rate on initial date of adoption	(6,741,182)	(1,659,736)
Total lease liabilities as per IFRS 16 as of January 1, 2019	9,638,243	2,373,016
Finance lease liabilities as per IAS 17 as of December 31, 2018	35,353	8,705
Total lease liabilities resulting from initial adoption of IFRS 16 as of January 1, 2019	9,673,596	2,381,721

d) Practical expedients applied in the initial adoption of the Standard:

(1) The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

(2) The Company elected to rely on its assessment of whether leases are onerous by applying IAS 37, as an alternative to performing an impairment review of the right-of-use asset on the date of initial adoption.

(3) The Company elected to exclude initial direct costs from the measurement of right-of-use assets at the date of initial adoption.

(4) The Company elected to use hindsight in determining the lease term in contracts containing options to extend or terminate the lease.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

e) The effect of application of the Standard on the following balance sheet items as at June 30, 2019:

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	NIS in thousands		
Current assets:			
Other receivables	287,471	(116,928)	170,543
Non-current assets:			
Long-term receivables	569,329	(522,277)	47,052
Right-of-use assets, net	-	12,492,142	12,492,142
Loans and investments in associates and partnerships accounted for at equity	1,063,941	10,048	1,073,989
Deferred taxes on right-of-use assets	-	86,905	86,905
Current liabilities:			
Current maturities of liabilities from leases of right-of-use assets	-	(233,236)	(233,236)
Non-current liabilities:			
Liabilities from leases of right-of-use assets	-	(12,441,298)	(12,441,298)
Other non-current liabilities	(413,064)	359,286	(53,778)
Total equity	(3,233,019)	365,358	(2,867,661)

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

e) The effect of application of the Standard on the following balance sheet items as at June 30, 2019 (Cont.):

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	Euro in thousands		
Current assets:			
Other receivables	70,778	(28,789)	41,989
Non-current assets:			
Long-term receivables	140,174	(128,589)	11,585
Right-of-use assets, net	-	3,075,670	3,075,670
Loans and investments in associates and partnerships accounted for at equity	261,951	2,474	264,425
Deferred taxes on right-of-use assets	-	21,397	21,397
Current liabilities:			
Current maturities of liabilities from leases of right-of-use assets	-	(57,425)	(57,425)
Non-current liabilities:			
Liabilities from leases of right-of-use assets	-	(3,063,152)	(3,063,152)
Other non-current liabilities	(101,700)	88,459	(13,241)
Total equity	(795,996)	89,954	(706,042)

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

f) Effect of application of the standard on profit and loss items for the six months ended June 30, 2019:

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	NIS in thousands		
Operating profit before depreciation and amortization and other expenses	315,219	450,026	765,245
Depreciation and amortization	(150,854)	(276,377)	(427,231)
Financing expenses, net	(56,269)	(292,590)	(348,859)
The Group's share in profits of companies and partnerships accounted for using the equity method	(5,491)	7,002	1,511
Income (Loss) before tax benefit	94,165	(111,939)	(17,774)
Tax benefit (Taxes on income)	(27,396)	20,125	(7,271)
Income (Loss) for the period	66,769	(91,814)	(25,045)

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	Euro in thousands		
Operating profit before depreciation and amortization and other expenses	77,610	110,799	188,409
Depreciation and amortization	(37,142)	(68,046)	(105,187)
Financing expenses, net	(13,854)	(72,038)	(85,892)
The Group's share in profits of companies and partnerships accounted for using the equity method	(1,352)	1,724	372
Income (Loss) before tax benefit	23,184	(27,560)	(4,376)
Tax benefit (Taxes on income)	(6,745)	4,955	(1,790)
Income (Loss) for the period	16,439	(22,605)	(6,166)

The main impact on profit and loss is an increase in depreciation expenses of NIS 276 million and financing of NIS 292 million, while a decrease in rental expenses of NIS 450 million.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

1. Initial adoption of IFRS 16, "Leases" (Cont.):

g) Effect of application of the standard on profit and loss items for the three months ended June 30, 2019:

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	NIS in thousands		
Operating profit before depreciation and amortization and other expenses	275,680	246,660	522,340
Depreciation and amortization	(74,499)	(152,757)	(227,256)
Financing expenses, net	(41,920)	(165,053)	(206,973)
The Group's share in profits of companies and partnerships accounted for using the equity method	(4,153)	3,221	(932)
Income (Loss) before tax benefit	151,765	(67,929)	83,836
Tax benefit (Taxes on income)	(32,845)	11,862	(20,983)
Income (Loss) for the period	118,920	(56,067)	62,853

	According to the previous accounting policy	Impact of IFRS 16	As presented in these financial statements
	Euro in thousands		
Operating profit before depreciation and amortization and other expenses	67,875	60,730	128,604
Depreciation and amortization	(18,342)	(37,610)	(55,952)
Financing expenses, net	(10,321)	(40,637)	(50,958)
The Group's share in profits of companies and partnerships accounted for using the equity method	(1,023)	793	(229)
Income (Loss) before tax benefit	37,366	(16,725)	20,641
Tax benefit (Taxes on income)	(8,087)	2,921	(5,166)
Income (Loss) for the period	29,279	(13,804)	15,475

The main impact on profit and loss is an increase in depreciation expenses of NIS 152 million and financing of NIS 165 million, while a decrease in rental expenses of NIS 246 million.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards (Cont.):

2. Amendment to IAS 28 Investments in Associates and Joint Ventures:

In October 2017, the IASB issued an amendment to IAS 28 Investments in Associates and Joint Ventures ("the Amendment"). The amendment clarifies that long-term rights (such as loans to receive or investment in preferred shares) that are part of the net investment in an associate or a joint venture will be fully subject to the provisions of IFRS 9 (both for measurement and for impairment) Are subject to the provisions of IAS 28. In view of the provisions of the amendment, the application of the "tier method" as expressed in Accounting Enforcement Decision 11-2 of the Securities Authority is no longer relevant.

The amendment is first applied in these financial statements. After examining the implications of implementing the amendment, the Company concluded that its implementation has no material effect on the Company's 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 annual rent	Expected date of opening / Lease period
Bristol, England	January 2019	Leased	200	100%	About £ 1.4 million	During 2020
Cologne, Germany	January 2019	Leased	198	100%	About € 1.4 million	During 2020
Tel Aviv, Israel	January 2019	Leased	26	100%	About NIS 2.2 million	During 2020
Jerusalem, Israel	February 2019	Leased	90	100%	About NIS 2.7 million	During 2022
Rhodes, Greece	February 2019	Owned	114	50%	About € 4.5 million	During 2019
Athens, Greece	February 2019	Leased	180	100%	About € 1.3 million	During 2020
Rome, Italy	February 2019	Owned	81	100%	About € 16 million	Operated since acquisition date
London, United Kingdom (1)	March 2019	Leased	1,311	100%	About £ 55 million	Operated since March 2019
Dublin, Ireland	March 2019	Owned	175	50%	About € 23.6 million	During 2021
Tel Aviv, Israel	April 2019	Leased	90	100%	About NIS 2.7 million	During 2022
Hamburg, Germany	June 2019	Leased	191	100%	About € 1.9 million	During 2023
Tel Aviv, Israel	June 2019	Leased	60	100%	About NIS 1.8 million	During 2021
Porto, Portugal (2)	June 2019	Owned	560	33.3%	About € 23 million	During 2021
Berlin, Germany	July 2019	Leased	374	100%	About € 4.5 million	During 2023
Cologne, Germany	July 2019	Leased	250	100%	About € 2.3 million	During 2023
Verona, Italy	July 2019	Owned	145	50%	€ 10.75 million	October 2019
Eilat, Israel (3)	August 2019	Owned	279	51%	About NIS 60 million	During 2020

(1) In March, 2019, the Company entered into an agreement through its subsidiary to lease 4 hotels in London (1,311 rooms) in consideration of annual leasing fees of £55 million. The lease agreement is for a period of 25 years with an option to extend for an additional five years. The rent will be updated every five years linked to the increase in the price index in the United Kingdom. It was agreed between the parties that the hotels would be renovated in accordance with an overall renovation plan financed by the lessor who undertook to extend a total of £ 34.5 million to finance the renovation. In addition, the hotel owners undertook to supplement the Company with shortfall on profitability of the hotels up to a total of £ 55 million a year, and in total, £ 34.5 million, in accordance with the conditions agreed between the parties.

In the event that the profitability of the hotels exceeds a total of £ 55 million in two consecutive years, the entire balance of the amount outstanding will be transferred to the tenant.

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

Pursuant to the agreement, the Company extended a guarantee limited in amount vis-à-vis the abovementioned hotel owners for the payment of the tenant's obligations, including the payment of leasing fees when due. Up to the date on which the EBITDAR multiplier in the two years preceding that date is equal to or higher than 1:1.5 (hereinafter: the date of the change), the amount of the guarantee will be limited to an amount equal to the annual leasing fees in five years (currently £ 275 million). From the date of the change, the amount of the guarantee will be limited to an amount equal to twice the annual leasing fees (currently £ 110 million).

(2) In June 2019, the Company contracted with two third parties (33% share of the Company) in a deal to purchase three services and commercial buildings, which are adjacent to the city of Porto, Portugal, with the aim of establishing a hotel with about 260 rooms and a congress hall to be leased by the Company. In addition, as part of the deal, a building comprising 140 units will be built for student residences or co-residences and a 160-room hostel, which will be leased and managed by a third party, while demolishing existing buildings. The deal was completed in August 2019. The Company expects costs for the project to total around Euro 67 million. The Company's share of the deal is about Euro 23 million.

(3) During August 2019, the Company signed acquisition agreements for ownership rights of the U Sunrise Club Eilat Hotel (which is managed by the Company as of the date of signature of the report). The Company's share in the acquisition was 51% (approximately NIS 40 million). The Company intends to renovate the hotel. The cost of the renovation is about NIS 37 million (the Company's share of the renovation cost is 51%).

b. On November 27, 2018, the Company's Board of Directors approved an early redemption in full at the Company's initiative of the balance of the par value of the Series A bonds of the Company, which was executed on January 1, 2019. On the date of early redemption, the Company paid the Series A bondholders the total of about NIS 89.5 million (in respect of principal, interest, linkage and additional payment amounts in respect of early redemption in full).

c. On January 14, 2019, the Company carried out an expansion of the Series B bonds, by way of a private placement to investors of NIS 125,828 thousand par value of Series B bonds of NIS 1 par value each of the Company, registered for trading, for gross monetary consideration of NIS 122,682 thousand (before deduction of issue costs of NIS 250 thousand), at a price of NIS 0.975 for each NIS 1 par value.

d. On June 17, 2019, the Company carried out an expansion of the Series B bonds, by way of a private allotment to investors of NIS 150,000 par value of Series B bonds of NIS 1 each of the Company, listed for trading, for gross monetary consideration of NIS 156,900 thousand (before deduction of issue costs of NIS 1,030 thousand), at a cost of NIS 1.046 per NIS 1 par value. After the aforementioned allotment and the allotment detailed in section C above, the total amount of Debentures (Series B) in circulation amounts to NIS 731,668 thousand par value.

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

e. On March 14, 2019, Fattal Properties (Europe) carried out an expansion of the series of Series C bonds, by way of an allocation to the public of NIS 200,000 thousand par value of Series C bonds of NIS 1 each of Fattal Properties (Europe), registered for trading, for gross monetary consideration of NIS 191,600 thousand (before the deduction of issue costs amounting to NIS 1,496 thousand) at a price of NIS 0.958 for each NIS 1 par value. Following the aforesaid allocation, the total of Series C bonds in circulation is NIS 388,000 par value.

f. In April 2019, Fattal Properties (Europe) carried out an expansion of the Series B bonds by way of a private placement of NIS 12,500 thousand par value of Series B bonds of NIS 1 par value each of Fattal Properties (Europe), listed for trading, at a price of NIS 101.5 per NIS 1 par value of bonds and a total of approximately NIS 12,687 thousand for all of the said Series B bonds. Subsequent to the said placements, the total amount of Series B bonds in circulation amounted to NIS 215,260 thousand par value.

g. Further to that stated in Note 21e of the annual financial statements as of December 31, 2018 regarding the balance of shareholders' loans received, it should be noted that as of the date of the financial statements, the balance was repaid in full.

h. In accordance with Note 4A to the annual financial statements as of December 31, 2018, regarding the initial consolidation of operations and the temporary allocation of the cost of purchase (temporary PPA), as of the date of the financial statements, the Company has completed the acquisition cost allocation. There were no material changes compared to the temporal allocation made.

i. On May 30, 2019, the Company's Board of Directors decided to distribute a dividend in the amount of NIS 60,000 thousand. The dividend was paid in June 2019.

j. A claim was filed against the Company in March 2019, in respect of which a petition was filed for approval as a class action, alleging that the Company violated the provisions of the contracts signed with customers who purchased vacation rights in a hotel owned by the Company. As at the date of approval of the financial statements, the Company is examining the said claim through its legal advisors.

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:

	June 30, 2018		December 31, 2018	
	Book value	Fair value	Book value	Fair value
	NIS in thousands			
Loans from banking corporations and other liabilities				
Debentures (Level 1 of the fair value hierarchy)	1,163,297	1,195,691	1,324,772	1,324,962
Fixed interest loans (Level 3 of the fair value hierarchy)	1,161,180	1,187,320	1,007,573	1,048,507
Total	2,324,477	2,383,011	2,332,345	2,373,469

			Convenience translation (note 1b)	
	Book value	Fair value	Book value	Fair value
	June 30, 2019		June 30, 2019	
	Unaudited			
	NIS (In thousands)		Euro (In thousands)	
Loans from banking corporations and other liabilities				
Debentures (Level 1 of the fair value hierarchy)	1,678,593	1,746,486	413,284	430,000
Fixed interest loans (Level 3 of the fair value hierarchy)	1,378,143	1,424,305	339,310	350,675
Total	3,056,736	3,170,791	752,594	780,675

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. To the end of the second quarter of 2018, the Group's activity was conducted through two reportable operating segments: In Israel and in Europe (except for Cyprus), from the third quarter of 2018, as a result of completing the acquisition of the operating platform of 36 hotels as detailed in Note 4a to the annual financial statements as of December 31, 2018, , the Group is reporting a new segment– United Kingdom and Ireland, and therefore, from the third quarter of 2018, the Group's operations are conducted through three reporting operating segments: in Israel, Europe (excluding UK Ireland and the Mediterranean basin) and in the United Kingdom and Ireland. Comparative figures have been restated to reflect the change in the structure of the Group's reporting segments. In addition, the Group has an investment through investee companies in the Mediterranean basin and a number of other investments that do not add up to a reportable segment and are therefore presented as other.

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

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

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

NOTE 6: - OPERATING SEGMENTS (Cont.):

b. Reporting on operating segments:

	Israel	Abroad, mainly Germany	UK and Ireland	Other	Adjustments to financial reporting (no adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total	Convenience translation (Note 1b) Total
	NIS (In thousands)								Euro
Six months ended June 30, 2019 (unaudited)									
Segment revenues	802,413	929,610	793,513	38,110	(47,918)	2,515,728	-	2,515,728	619,393
Operating income before depreciation and amortization, other operating expenses and rental expenses	200,154	342,793	269,739	5,995	(11,879)	806,802	-	806,802	198,641
Operating income before depreciation and amortization and other operating expenses	135,662	183,439	36,178	(222)	(39,838)	315,219	450,026	765,245	188,409
Depreciation and amortization	(41,820)	(78,015)	(47,645)	(5,646)	22,272	(150,854)	(276,377)	(427,231)	(105,187)
Finance expenses, net								(348,859)	(85,892)
Other operating expenses, net								(8,440)	(2,078)
Group's share of earnings of associate companies and partnerships accounted for at equity								1,511	372
Loss before taxes on income								(17,774)	(4,376)
Taxes on income								7,271	1,790
Loss for the period								(25,045)	(6,166)

NOTE 6: - OPERATING SEGMENTS (Cont.):

b. Reporting on operating segments:

	Israel	Abroad, mainly Germany	UK and Ireland	Other	Adjustments	Total
	NIS in thousands					
<u>Six months ended June 30, 2018</u> (unaudited)						
Segment revenues	704,737	688,794	80,177	29,269	(45,551)	1,457,426
Operating income before depreciation and amortization, other operating expenses and rental expenses	185,207	259,769	31,448	6,674	(11,279)	471,819
Operating income before depreciation and amortization and other operating expenses	122,293	150,310	24,568	2,595	(38,586)	261,180
Depreciation and amortization	(37,584)	(64,018)	(5,903)	(4,087)	22,486	(89,106)
Other operating expenses, net						(11,455)
Finance expenses, net						(52,056)
Group's share of earnings of companies and partnerships accounted for at equity						(3,028)
Income before taxes on income						105,535
Taxes on income						33,275
Net income						72,260

NOTE 6: - OPERATING SEGMENTS (Cont.):

b. Reporting on operating segments (Cont.):

	Israel	Abroad, mainly Germany	UK and Ireland	Other	Adjustments to financial reporting (no adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS in thousands							
Three months ended June 30, 2019 (unaudited)								
Segment revenues	472,699	532,474	475,724	38,110	(27,722)	1,491,285	-	1,491,285
Operating income before depreciation and amortization, other operating expenses and rental expenses	140,925	225,381	179,983	10,867	(9,369)	547,787	-	547,787
Operating income before depreciation and amortization and other operating expenses	109,065	141,532	40,378	7,042	(22,337)	275,680	246,660	522,340
Depreciation and amortization	(21,709)	(39,116)	(21,408)	(3,591)	11,325	(74,499)	(152,757)	(227,256)
Finance expenses, net								(206,973)
Other operating expenses, net								(3,343)
Group's share of earnings of associate companies and partnerships accounted for at equity								(932)
Income before tax benefit								83,836
Tax benefit								20,983
Income for the period								62,853

NOTE 6: - OPERATING SEGMENTS (Cont.):

b. Reporting on operating segments (Cont.):

	Israel	Abroad, mainly Germany	UK and Ireland	Other	Adjustments	Total
	NIS in thousands					
Three months ended June 30, 2018 (unaudited)						
Segment revenues	410,357	387,059	57,021	27,751	(28,311)	853,877
Operating income before depreciation and amortization, other operating expenses and rental expenses	127,906	164,480	29,391	9,894	(7,646)	324,025
Operating income before depreciation and amortization and other operating expenses	95,848	104,104	30,374	7,177	(23,090)	214,413
Depreciation and amortization	(18,654)	(31,669)	(3,881)	(2,802)	11,566	(45,440)
Other operating expenses, net						(7,211)
Finance expenses, net						(26,298)
Group's share of earnings of companies and partnerships accounted for at equity						684
Income before taxes on income						136,148
Taxes on income						40,321
Net income						95,827

NOTE 6: - OPERATING SEGMENTS (Cont.):

b. Reporting on operating segments:

	Israel	Abroad, mainly Germany	UK and Ireland	Other	Adjustments	Total
	NIS in thousands					
Year ended December 31, 2018 (audited)						
Segment revenues	1,526,806	1,631,164	617,358	96,073	(105,758)	3,765,643
Operating income before depreciation and amortization, other operating expenses and rental expenses	402,319	639,916	267,430	40,815	(30,478)	1,320,002
Operating income before depreciation and amortization and other operating expenses	271,006	374,403	139,303	27,112	(91,084)	720,740
Depreciation and amortization	(76,829)	(140,791)	(32,891)	(8,080)	45,804	(212,787)
Other operating expenses, net						(44,392)
Finance expenses, net						(125,138)
Group's share of earnings of companies and partnerships accounted for at equity						2,966
Income before taxes on income						341,389
Taxes on income						(99,463)
Net income						241,926

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