FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2020

UNAUDITED

INDEX

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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, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a company accounted for at equity, the investment in which amounted to NIS 53,691 thousand as of June 30, 2020 and the Company's share of their losses amounted to NIS 4,295 thousand and NIS 2,127 thousand for the six and three months periods then ended, respectively. The condensed interim financial information of this company was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of this company, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Emphasis of matter

Without qualifying our above conclusion, we draw attention to the matter discussed in Note 1c regarding the uncertainty that exists due to the spread of the Coronavirus which has led to a crisis in the markets in general and to an almost complete cessation of activities in the entire tourism and hospitality industry globally, in particular, in the countries in which the Company operates. See Note 1c for the actions the Company has been undertaking and is planning in order to match its cash expenditures to the significant decrease in revenues, as well as the other plans of management and the board of directors in respect of this matter.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
August 31, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	June 30,		Convenience translation (Note 1b) June 30,
	2019	2019	2020	2020
	Audited	Unaudited		Unaudited
	N I S (In thousands)			Euro
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	859,646	837,070	701,750	180,733
Securities held for trading	260,617	166,053	909	234
Trade receivables	344,455	453,270	120,125	30,938
Other accounts receivable	147,327	170,543	232,713	59,934
Income tax receivable	49,273	52,604	16,068	4,138
Inventories	17,592	19,933	14,635	3,769
	1,678,910	1,699,473	1,086,200	279,746
Assets held for sale	144,544	145,932	636,710	163,983
	1,823,454	1,845,405	1,722,910	443,729
NON-CURRENT ASSETS:				
Long-term receivables	94,516	47,052	26,549	6,838
Advance on Fixed Assets	46,078	37,260	31,155	8,024
Loans and investments in companies and partnerships accounted for at equity	1,236,312	1,073,989	1,254,251	323,027
Property, plant and equipment, net	5,751,589	5,528,903	5,440,293	1,401,126
Right-of-use assets, net	12,227,795	12,492,142	11,580,874	2,982,609
Deferred taxes on right-of-use assets	177,142	(*) 121,310	224,268	57,759
Deferred taxes	17,976	25,305	62,043	15,979
Intangible assets	413,605	430,806	407,357	104,913
	19,965,013	19,756,767	19,026,790	4,900,275
	21,788,467	21,602,172	20,749,700	5,344,004

(*) Immaterial adjustment. See note 2c.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	June 30, 2019	June 30, 2020	Convenience translation (Note 1b) June 30, 2020
	Audited	Unaudited		Unaudited
	NIS			Euro
	(In thousands)			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	296,837	319,056	258,633	66,610
Current maturities of liabilities from leases of right-of-use assets	257,520	233,236	330,983	85,243
Current maturities of debentures	158,417	102,152	238,535	61,434
Trade payables	196,179	310,989	180,557	46,502
Income tax payable	79,810	113,072	70,414	18,135
Other accounts payable	752,048	675,363	571,496	147,186
Shareholders	5,821	3,257	533	137
	1,746,632	1,757,125	1,651,151	425,247
Liabilities attributed to assets held for sale	43,854	45,562	267,016	68,769
	1,790,486	1,802,687	1,918,167	494,016
NON-CURRENT LIABILITIES:				
Loans from banks and others	2,448,924	2,453,232	2,459,749	633,499
Debentures, net	1,684,053	1,576,441	1,766,732	455,015
Liabilities from leases of right-of-use assets	12,279,543	12,441,298	11,821,892	3,044,682
Deferred taxes	(*) 379,431	350,810	281,276	72,442
Employee benefit liabilities, net	21,065	16,088	21,631	5,571
Other non-current liabilities	48,634	53,778	74,396	19,160
Shareholders	2,089	5,772	3,754	967
	16,863,739	16,897,419	16,429,430	4,231,336
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	635,177	635,177	635,177	163,587
Capital reserves	(*)1,012,493	880,922	932,963	240,281
Retained earnings	1,345,877	(*)1,257,360	702,253	180,863
	2,993,547	2,773,459	2,270,393	584,731
Non-controlling interests	140,695	128,607	131,710	33,921
Total equity	3,134,242	2,902,066	2,402,103	618,652
	21,788,467	21,602,172	20,749,700	5,344,004

(*) Immaterial adjustment. See note 2c.

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

August 31, 2020		
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,	Three months ended June 30,		Six months ended June 30,		Convenience translation (Note 1b) Six months ended June 30,
	2019	2019	2020	2019	2020	2020
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
Revenues from hospitality services and others	5,342,389	1,491,285	122,863	2,515,728	962,151	247,798
Cost of revenues	2,909,106	782,750	133,982	1,406,979	683,959	176,151
	2,433,283	708,535	(11,119)	1,108,749	278,192	71,647
Selling and marketing expenses	145,773	37,609	9,859	72,636	41,702	10,740
General and administrative expenses	476,901	123,139	39,617	229,311	132,085	34,018
	1,810,609	547,787	(60,595)	806,802	104,405	26,889
Hotel variable lease expenses	115,273	25,447	137	41,557	1,797	463
Operating income before depreciation and amortization and other operating expenses	1,695,336	522,340	(60,732)	765,245	102,608	26,426
Depreciation and amortization	264,207	64,187	69,699	130,906	141,178	36,360
Depreciation of revaluation of step-up	45,604	10,312	11,025	19,948	23,016	5,927
Depreciation on right-of-use assets	584,363	152,757	153,652	276,377	308,048	79,336
Other operating (expenses) income, net	(36,313)	(3,343)	41,611	(8,440)	(45,338)	(11,677)
Operating income (loss)	764,849	291,741	(253,497)	329,574	(414,972)	(106,874)
Finance income	5,940	1,809	14	2,301	613	158
Finance expenses	(106,395)	(43,729)	(28,494)	(58,570)	(92,018)	(23,699)
Finance expenses on liabilities from leases of right-of-use assets	(617,942)	(165,053)	(158,428)	(292,590)	(318,015)	(81,904)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	10,944	(932)	(11,004)	1,511	(20,685)	(5,327)
Income (loss) before taxes on income	57,396	83,836	(451,409)	(17,774)	(845,077)	(217,646)
Tax benefit (taxes on income)	(16,554)	(20,983)	92,296	(7,271)	178,216	45,899
Net income (loss)	40,842	62,853	(359,113)	(25,045)	(666,861)	(171,747)
Attributable to:						
Shareholders of the Company	38,010	61,470	(358,297)	(26,574)	(665,569)	(171,415)
Non-controlling interests	2,832	1,383	(816)	1,529	(1,292)	(332)
	40,842	62,853	(359,113)	(25,045)	(666,861)	(171,747)
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):						
Basic earnings (loss) per share	2.63	4.26	(24.55)	(1.84)	(45.61)	(45.61)
Diluted earnings (loss) per share	2.62	4.25	(24.55)	(1.84)	(45.61)	(45.61)

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,
	2019	2019	2020	2019	2020	2020
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
Net income (loss)	40,842	62,853	(359,113)	(25,045)	(666,861)	(171,747)
Other comprehensive income (loss) (after tax effect):						
Amounts that will not be reclassified subsequently to profit or loss:						
Actuarial loss, net	(4,229)	-	-	-	-	-
Revaluation of properties, net	277,921	20,580	42,875	92,578	(64,186)	(16,531)
Group's share in revaluation of properties in companies and partnerships accounted for at equity	93,336	35,617	5,423	36,741	(15,621)	(4,023)
Total amounts that will not be reclassified subsequently to profit or loss	367,028	56,197	48,298	129,319	(79,807)	(20,554)
Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:						
Income in respect of cash flow hedging transaction	(*) 106,562	16,277	25,559	44,911	28,040	7,222
Foreign currency translation adjustments	(288,429)	(35,609)	(32,381)	(155,555)	(15,025)	(3,870)
Total amounts that will be reclassified subsequently to profit or loss	(181,867)	(19,332)	(6,822)	(110,644)	13,015	3,352
Total other comprehensive income (loss)	185,161	36,865	41,476	18,675	(66,792)	(17,202)
Total comprehensive income (loss)	226,003	99,718	(317,637)	(6,370)	(733,653)	(188,949)
Attributable to:						
Shareholders holders of the Company	(*) 213,757	97,727	(312,506)	(4,855)	(724,539)	(186,602)
Non-controlling interests	12,246	1,991	(5,131)	(1,515)	(9,114)	(2,347)
	226,003	99,718	(317,637)	(6,370)	(733,653)	(188,949)

(*) Immaterial adjustment. See note 2c.

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 December 31, 2018	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	-	-	(252,919)	-	-	-	(252,919)	-	(252,919)
Balance as of January 1, 2019 (after initial adoption of IFRS 16)	635,177	2,757	1,325,019	(12,772)	(53,219)	939,999	2,836,961	130,350	2,967,311
Net income	-	-	38,010	-	-	-	38,010	2,832	40,842
Other comprehensive income (loss)	-	-	-	(296,868)	(*) 106,562	366,053	175,747	9,414	185,161
Total comprehensive income (loss)	-	-	38,010	(296,868)	106,562	366,053	213,757	12,246	226,003
Dividend to the shareholders of the company	-	-	(60,000)	-	-	-	(60,000)	-	(60,000)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(1,901)	(1,901)
Vesting option to employees	-	2,829	-	-	-	-	2,829	-	2,829
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	42,848	-	-	(42,848)	-	-	-
Balance as of December 31, 2019	635,177	5,586	1,345,877	(309,640)	53,343	1,263,204	2,993,547	140,695	3,134,242

(*) Immaterial adjustment. See note 2c.

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	(*)1,246,224	(134,347)	(24,585)	1,009,153	2,734,989	126,616	2,861,605
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	1,257,360	(171,303)	(8,308)	1,056,423	2,773,459	128,607	2,902,066

(*) Immaterial adjustment. See note 2c.

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, 2020	635,177	6,240	1,050,077	(293,759)	(*) 55,824	1,128,609	2,582,168	136,238	2,718,406
Net loss	-	-	(358,297)	-	-	-	(358,297)	(816)	(359,113)
Comprehensive income (loss)	-	-	-	(23,435)	25,559	43,667	45,791	(4,315)	41,476
Total comprehensive income (loss)	-	-	(358,297)	(23,435)	25,559	43,667	(312,506)	(5,131)	(317,637)
Dividend declared to shareholders of the Company	-	-	-	-	-	-	-	603	603
Vesting option to employees	-	731	-	-	-	-	731	-	731
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	10,473	-	-	(10,473)	-	-	-
Balance as of June 30, 2020	635,177	6,971	702,253	(317,194)	81,383	1,161,803	2,270,393	131,710	2,402,103

(*) Immaterial adjustment. See note 2c.

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)	-	-	(*) (252,919)	-	-	-	(252,919)	-	(252,919)
Balance as of January 1, 2019 (after initial adoption of IFRS 16)	635,177	2,757	1,325,019	(12,772)	(53,219)	939,999	2,836,961	130,350	2,967,311
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	(*) 1,257,360	(171,303)	(8,308)	1,056,423	2,773,459	128,607	2,902,066

(*) Immaterial adjustment. See note 2c.

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, 2020 (audited)	635,177	5,586	1,345,877	(309,640)	(*) 53,343	1,263,204	2,993,547	140,695	3,134,242
Net loss	-	-	(665,569)	-	-	-	(665,569)	(1,292)	(666,861)
Comprehensive income (loss)	-	-	-	(7,554)	28,040	(79,456)	(58,970)	(7,822)	(66,792)
Total comprehensive income (loss)	-	-	(665,569)	(7,554)	28,040	(79,456)	(724,539)	(9,114)	(733,653)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	129	129
Vesting option to employees	-	1,385	-	-	-	-	1,385	-	1,385
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	21,945	-	-	(21,945)	-	-	-
Balance as of June 30, 2020	635,177	6,971	702,253	(317,194)	81,383	1,161,803	2,270,393	131,710	2,402,103

(*) Immaterial adjustment. See note 2c.

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 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								
	Euro in thousands								
Balance as of January 1, 2020 (audited)	163,587	1,438	346,626	(79,747)	13,738	325,334	770,976	36,235	807,211
Net loss	-	-	(171,415)	-	-	-	(171,415)	(332)	(171,747)
Comprehensive income (loss)	-	-	-	(1,945)	7,222	(20,464)	(15,187)	(2,015)	(17,202)
Total comprehensive income (loss)	-	-	(171,415)	(1,945)	7,222	(20,464)	(186,602)	(2,347)	(188,949)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	33	33
Vesting option to employees	-	357	-	-	-	-	357	-	357
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	5,652	-	-	(5,652)	-	-	-
Balance as of June 30, 2020	163,587	1,795	180,863	(81,692)	20,960	299,218	584,731	33,921	618,652

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,
	2019	2019	2020	2019	2020	2020
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
Cash flows from operating activities:						
Net income (loss)	40,842	62,853	(359,113)	(25,045)	(666,861)	(171,747)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Adjustments to the profit or loss items:						
Depreciation and amortization	894,174	227,256	234,376	427,231	472,242	121,623
Finance expenses, net	728,225	209,318	192,859	355,453	400,045	103,032
Group's share of losses (earnings) of companies and partnerships accounted for at equity	(10,944)	932	11,004	(1,511)	20,685	5,327
Change in liabilities for time-sharing rights, net	(1,024)	(266)	(187)	(492)	(333)	(86)
Change in employee benefit liabilities, net	1,093	421	266	1,492	525	135
Other income from rent concession received	-	-	(42,672)	-	(42,672)	(10,990)
Loss from impairment of investments	7,466	(945)	(4,642)	3,071	84,970	21,884
Taxes on income (tax benefit)	16,554	20,983	(92,296)	7,271	(178,216)	(45,899)
Share-based payment expense	2,829	743	731	1,353	1,385	357
Loss (gain) from a change in the value of securities held for trading	(9,640)	(1,969)	36	(5,694)	14,007	3,607
	1,628,733	456,473	299,475	788,174	772,638	198,990
Changes in asset and liability items:						
Decrease (increase) in trade receivables	(15,378)	(87,437)	60,416	(119,485)	226,290	58,280
Decrease in other accounts receivable	116,434	127,009	46,865	101,328	1,189	306
Decrease (increase) in inventories	(815)	(3,205)	270	(2,498)	2,958	762
Decrease (increase) in long-term receivables	(58,446)	(21,190)	77,849	(33,266)	125,721	32,379
Increase (decrease) in trade payables	8,863	64,316	(69,317)	120,806	(17,482)	(4,502)
Increase (decrease) in other accounts payable	28,020	24,643	(54,376)	(9,757)	(190,550)	(49,075)
Increase (decrease) in other non-current liabilities	74,138	(159)	25,158	8,537	35,468	9,135
	152,816	103,977	86,865	65,665	183,594	47,285
Cash paid during the period for:						
Taxes received	28,896	15,911	16,757	28,896	60,190	15,502
Taxes paid	(150,010)	(19,101)	(735)	(46,180)	(32,437)	(8,354)
Interest paid for leases of right-of-use assets	(619,207)	(162,899)	(138,715)	(291,072)	(298,396)	(76,851)
Other interest paid, net	(109,296)	(37,144)	(28,344)	(57,330)	(63,138)	(16,263)
	(849,617)	(203,233)	(151,037)	(365,686)	(333,781)	(85,966)
Net cash provided by operating activities	972,774	420,070	(123,810)	463,108	(44,410)	(11,438)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2019	Three months ended June 30, 2019	Three months ended June 30, 2020	Six months ended June 30, 2019	Six months ended June 30, 2020	Convenience translation (Note 1b) Six months ended June 30, 2020
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
Cash flows from investing activities:						
Purchase of property, plant and equipment, net	(787,459)	(72,676)	(42,527)	(504,842)	(265,945)	(68,493)
Advance of investment in property, plant and equipment	(14,562)	349	-	(6,653)	-	-
Purchase of companies consolidated for the first time (Appendix A)	(83,449)	(33,328)	(31,493)	(83,449)	(251,404)	(64,748)
Exit from consolidation (Appendix B)	-	-	-	-	20,223	5,208
Sale and purchase of securities held for trading, net	(12,256)	(31,878)	697	78,362	245,701	63,279
Advance on Fixed Assets	-	-	-	-	(50,000)	(12,877)
Loans and investment in companies and partnerships accounted for at equity	(176,478)	(75,750)	(19,997)	(87,561)	(52,707)	(13,574)
Other assets, net	(1,501)	-	-	(1,501)	-	-
Withdrawal of designated deposit	65,770	65,778	-	67,398	-	-
Investment in various companies	(27,047)	(13,777)	2,463	(19,714)	(1,859)	(479)
Net cash used in investing activities	(1,036,982)	(161,282)	(90,857)	(557,960)	(355,991)	(91,684)
Cash flows from financing activities:						
Dividend paid	(110,039)	(110,039)	-	(110,039)	-	-
Short-term credit from banking corporations, net	(29,857)	2,692	8,758	2,989	9,343	2,406
Repayment of long-term loans from banking corporations and others	(284,211)	(70,988)	(114,950)	(125,405)	(224,503)	(57,820)
Repayment of debentures	(191,732)	(10,763)	(10,685)	(128,273)	(38,615)	(9,945)
Repayment of liabilities from leases of right-of-use assets	(439,491)	(72,567)	(24,090)	(275,596)	(74,722)	(19,244)
Receipt of long-term loans from banking corporations and others	650,935	134,242	19,536	444,635	372,051	95,820
Issue of debentures, net	708,071	168,579	-	481,365	200,627	51,671
Net cash provided by financing activities	303,676	41,156	(121,431)	289,676	244,181	62,888
Translation differences in respect of balances of cash and cash equivalents	(40,809)	(733)	(5,849)	(18,953)	(1,301)	(335)
Increase (decrease) in cash and cash equivalents	198,659	299,211	(341,947)	175,871	(157,521)	(40,569)
Cash included in assets held for sale	(273)	70	(28)	(61)	(375)	(96)
Cash and cash equivalents at beginning of period	661,260	537,789	1,043,725	661,260	859,646	221,398
Cash and cash equivalents at end of period	859,646	837,070	701,750	837,070	701,750	180,733
Significant non-cash activities:						
Receipt of waiver of lease payments	-	-	24,407	-	24,407	6,286
Recognition of the right-of-use assets against lease liabilities	3,864,568	189,679	145,482	3,747,478	145,482	37,468
Purchase of property, plant and equipment	-	745	-	745	-	-

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2019	Three months ended June 30, 2019	Three months ended June 30, 2020	Six months ended June 30, 2019	Six months ended June 30, 2020	Convenience translation (Note 1b) Six months ended June 30, 2020
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
(a) Acquisition of initially consolidated subsidiaries:						
The subsidiaries' assets and liabilities at date of acquisition:						
Working capital (excluding cash and cash equivalents)	19,948	(90)	(5,082)	19,948	(1,798)	(463)
Non-current assets	(34,626)	4,233	3,781	(34,626)	3,781	974
Deferred taxes	411	(869)	-	411	-	-
Property, plant and equipment	(103,394)	(33,235)	(88,627)	(103,394)	(311,822)	(80,309)
Goodwill created on acquisition (including brand)	2,102	(3,370)	-	2,102	-	-
Current liabilities	-	-	1,518	-	1,518	391
Non-current liabilities	32,110	3	56,917	32,110	56,917	14,659
	(83,449)	(33,328)	(31,493)	(83,449)	(251,404)	(64,748)
(b) Exit from consolidation:						
Non-current assets	-	-	-	-	20,223	5,208

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, 2020 and for the six and three months periods then ended ("Interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019 and for the year then ended and their accompanying notes ("Consolidated Annual Financial Statements ").

b. The financial statements as of June 30, 2020 and for the six months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 3.8828) The translation was made solely for the convenience of the reader. The amounts presented in these financial statements should not be construed to represent amounts receivable or payable in Euros or convertible into Euros, unless otherwise indicated in these statements.

c. The spread of the Corona virus and the global spread of the Corona pandemic starting in the first quarter of 2020 constitute a global macroeconomic risk and instill uncertainty as to the future economic activity worldwide and expected effects on the inflation and on the financial markets. The Company is following on an ongoing basis the developments in Israel and worldwide in connection with the spread of the Corona pandemic and is examining the effects on its business activity in Israel and in Europe Against the background of the restrictions imposed, especially in the second quarter, on movement and gatherings in Israel and Europe, including the shutdown of all leisure culture in Israel and Europe, as well as the issuance of closure orders for hotels in some of the operating countries, the Company has carried out and is carrying out, among other things, the following activities so as to adapt its cash flow expenses to the material decline in total revenues:

1. Reductions and streamlining in manpower (in quantity of employees as well asquantity of working hours) – the Company made a gradual reduction in wages (between 20% and 45%) for all the Group employees and dismissals. In addition, the Company cut the bonus amounts for the year 2019 for senior employees. In this respect it should be noted that Mr. David Fattal, the Company's Chairman, CEO and the controlling shareholder, on March 28, 2020 notified the Company that he irrevocably waives his bonus for the year 2019 and the management fees he is entitled to according to his agreement up to the end of the second quarter of 2020. On June 28, 2020, Mr. Fattal announced that from July 1, 2020 to September 30, 2020 ("the Waiver Period") he irrevocably waives about 34% of the management fee he is entitled to according to the agreement, so that his monthly management fees will amount to NIS 160 thousand (instead of NIS 243 thousand per month), plus VAT in accordance with the law, linked to the increase in the CPI on the payment date compared with the CPI of August 2016. The actual reduced management fees will only be made after the Waiver Period. It should also be noted that all employees that return to work (including the sons of the controlling shareholder who returned to work on July 1, 2020) are employed in accordance with the policy of gradual reduction in wages.

NOTE 1:- GENERAL (Cont.)

2. Removal of employees to furlough (unpaid vacation)/enforced holiday – the Company removed about 5,500 of the employees in Israel (including sons of the controlling shareholder that were removed to furlough from March 15, 2020 to the end of June 2020) to furlough and removed the majority of employees in Europe to furlough or enforced holiday (on account of accumulated vacation days) or reduced (temporarily) their positions, and this in accordance with the laws and the government policy in each country. It should be noted that in parallel to the opening of the hotels, employees are rehired proportionally for reduced positions. As of the date of signing this report about 4,500 of the Company's employees in Israel were rehired and in Europe the positions of some employees that were reduced, as described above, were expanded.

3. Reduction in additional expenses such as: closing of most of the hotels, reduction of welfare activities and training in the Group, reduction of branding and marketing expenses, streamlining and consolidating jobs, reductions and discounts from suppliers.

4. Cessation of the majority of the investments in the Group's hotels, except for essential investments that had started before the outbreak of the crisis.

5. Cessation of all the renovations in the Group's hotels, except for renovations that had started before the outbreak of the crisis.

6. Actions taken to receive discounts and deferrals of payments to authorities in the different countries – the Company has turned to and will turn to the authorities in all the operating countries with the request to receive discounts and deferrals of the different compulsory payments and refund of employee costs. In this respect it should be noted that some of the operating countries grant total exemptions from municipal taxes and participation of up to 90% in the cost of employee wages (as long as the employees remain employed) during the crisis period.

7. Deferral and / or reduction in rentals for some of the hotels (except for rental agreements between the Company's consolidated companies and the 100% subsidiary – Fattal Europe) that were closed because of force majeure – due to discontinued operation of the hotels and their closure. The Company deferred and / or reduced or attempts to defer and/or reduce part of the payments per the rental agreements. In addition, in accordance with the provisions of the law, proposals for law or special government directives published because of the situation, in the different countries, rental payments will be deferred for various periods. As of the date of signing this report, the Company received a deferral (to future years) of rental fees totaling about NIS 96 million and reduction and waiver of rental fees in the total amount of about NIS 68 million. In addition, it should also be noted that for a number of additional rented hotels, the Company is still in the process of negotiations regarding deferral/reduction/waiver for rental fees for the second and third quarter of 2020 (extent of rental fees NIS 150 million).

NOTE 1:- GENERAL (Cont.)

8. Sale of hotels in Europe – the Company began to examine the possibility of selling some of the Group owned hotels (including hotels owned by the 100% subsidiary Fattal Europe) as a transactions that take the form of Sale and Manage Back or Sale and Lease Back in order to increase the Group's cash balance. For further details, see Note 4d.

9. Refinancing – the examination of the possibility of refinancing assets that are not pledged or assets that are pledged with comparatively low LTVs and refinancing part of the Company's bank credit. As of the date these financial statements were approved the Company has assets that are not pledged valued at approximately € 171 million (approximately NIS 663 million) and many pledged assets with LTVs below 50%. In this respect it should be noted that banks in Israel and in some European countries that provided financing to the Company deferred principal payments totaling approximately NIS 120 million for a period of two quarters. For details regarding the issuing of debentures after the report date in an investee company, see Note 4e.

10. In some countries the government declared government guaranteed loans in material amounts. In this respect it should be noted that as of the date of signing of this report the Company received agreement in principle from a German commercial bank (subject to approval of the commercial bank's credit committee and subject to approval of the government bank) to provide a long term loan (guaranteed by the government of Germany) for approximately € 60 million and the Company is working to receive such a loan from a commercial bank in the UK (guaranteed by the government of the UK) for approximately GBP 30 million. In addition, Israeli banks granted the Company government guaranteed loans for total approximately NIS 31 million.

11. Rights issue - In July 2020, the Company made a rights issue in the amount of NIS 99 million to strengthen the Company's capital and liquidity and in accordance with the Company's obligation to the Debenture Holders (Series B and C). For further details, see Note 4h.

The Company estimates that taking the steps described in items 1 to 7 above (as well as additional steps that the Company may undertake in the future that are not described above and all in accordance with circumstances and developments) could lead to a significant reduction in the Group's current expenses cash outflows in the coming months, in order to match them, as much as possible, to the expected very material reduction in the next quarters of 2020 and taking the steps described in items 8 to 11 above could lead to additional sources of funds for the Company estimated at approximately NIS 1 billion (as described above and below).

NOTE 1:- GENERAL (Cont.)

In the opinion of Management and the Board of Directors, these actions, together with cash in the amount of NIS 786 million, which the Group holds at the date of approval of the financial statements, will enable the Company to meet all its obligations in the year following the date of approval of the financial statements at least in a manner that will allow the gradual return to routine activity without the need for additional steps.
As of the date of approval of the financial statements, 90% of the Group's hotels have reopened for operations.

It should be noted that the Company's ability to complete a considerable part of the above steps will depend on measures of the regulators in the different countries, and on the cooperation and readiness of third parties (such as lenders and owners of hotels that are rented to the Group).

Naturally, this is a changing event, which is not under the control of the Company and factors such as the continuing spread of the Corona pandemic or its ending, a 'second wave' in the spreading of the pandemic, the decisions of countries and relevant authorities in Israel and in the World to renew flights to different destinations or to revoke them, the limitation of entrance of tourists from certain countries, the limitation in movement, the limitation on assembly or changes in the demand, may or could (depending on the subject) affect the Company accordingly. Due to the fast pace of developments of decisions of government officials in Israel and Europe, the Company will continue to follow developments and update its assessments accordingly.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

1. Amendments to IFRS 9, IFRS 7 and IAS 39:

In September 2019, the IASB published amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39," Financial Instruments: Recognition and Measurement" ("the Amendment").

The Amendment provides certain transitional reliefs for companies applying hedge accounting based on the benchmark Interbank Offered Rates ("IBORs") and are affected by the uncertainty arising from the expected reform in these benchmark rates. The IBOR reform leads to uncertainty regarding the dates and amounts to be attributed to future cash flows relating to both hedging instruments and hedged items that rely on existing IBORs.

The Amendment had no effect on the financial statements of the Company as of January 1, 2020, as it does not have material amounts of IBOR-based hedges in respect of which the timing of the IBOR reform could have an impact.

2. Amendment to IFRS 16, "Leases":

In view of the global coronavirus crisis, in May 2020, the IASB issued "Covid-19-Related Rent Concessions - Amendment to IFRS 16, Leases" ("the Amendment"). The objective of the Amendment is to allow a lessee to apply a practical expedient according to which covid-19 related rent concessions will not be accounted for as lease modifications but as variable lease payments. The relief applies to lessees only.
The Amendment applies only to covid-19 related rent concessions and only if all of the following conditions are met:

- The revised future lease payments are substantially the same or less than the original lease payments immediately preceding the change;
- The reduction in lease payments relates to payments due on or before June 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

The Amendment is to be applied retrospectively effective for annual periods beginning on or after June 1, 2020, with earlier application permitted.

The Company has elected to apply the Amendment early to all covid-19 related rent concessions. Accordingly, as a result of a rent concession received for April to June 2020, the Company recognized other income totaling approximately NIS 42,672 thousand for the six months and three months ended June 30, 2020.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Non-material adjustment of comparative figures:

1. During the preparation of the consolidated financial statements for the third quarter, 2019 the balance of deferred taxes was amended as of January 1, 2019 due to a technical error in calculating the deferred taxes in respect of the initial implementation of IFRS 16 by way of immaterial adjustment. The effect of the adjustment on the consolidated interim statements of changes in equity is an increase of approximately NIS 34 million in the retained earnings as of January 1, 2019.
2. As of December 31, 2019, the subsidiary recorded a deferred tax liability in the amount of approximately NIS 16 million in respect of timing differences in connection with financial derivatives. The deferred tax liability was recorded against a capital reserve and this was instead of it being entered against tax expenses in the statement of profit or loss. In addition, as of December 31, 2019, the subsidiary had carry-forward losses for which no tax assets were recorded in the statement of profit or loss for the same amount. Accordingly, during the preparation of the financial statements for the second quarter of 2020, the subsidiary updated, by way of a non-material adjustment, the balance of the deferred taxes and the balance of the translation differences reserve as of December 31, 2019, so that these balances decreased by approximately NIS 16 million.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Disclosure of new standards in the period prior to their adoption

Annual Improvements to IFRS Standards 2018–2020:

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

The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment is to be applied to debt instruments that are modified or exchanged commencing from the year in which the Amendment is first applied.

The Company estimates that the application of the Amendment is not expected to have a material impact on the 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.

About the effects of the Corona virus on the Company's activities, see Note 1c.

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
Budapest, Hungary	January 2020	Owned	71	100%	€ 17 million	January 2020
Lisbon, Portugal (1)	January 2020	Owned	132	100%	€ 64 million	During 2023
Liverpool, England	January 2020	Owned	200	100%	£ 7 million	During 2022
Nuremberg, Germany	January 2020	Leased	222	100%	€ 2.1 million	December 2023
Jerusalem, Israel	January 2020	Management	88	0%	(*)	During 2022
Dortmund, Germany(2)	December 2016	Owned	196	94.9%	€ 25 million	Completed in April, 2020

*) Management agreement

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

1. In January 2020, an investee company entered into an agreement to purchase shares in a company that owns a plot on which there is constructed a building under conservation for which there is a valid building permit (until June 2021) according to which a hotel with 132 rooms can be built on the plot for a total of EUR 42 million. The company intends to build on the plot, a 4-star deluxe or 5-star hotel (while preserving the building for preservation). The company estimates that the construction costs will amount to about EUR 21 million, so that the total cost of the hotel will amount to about EUR 63 million. During the first quarter of 2020, the transaction was completed and the consideration of EUR 42 million was paid in full.

2. In December 2016, an investee company entered into an agreement under which it undertook to acquire, on the date of completion, 94.9% of the shares of a corporation that will purchase real estate in Dortmund, Germany, on which a hotel will be built by a third party (TURN KEY basis agreement), for consideration totaling approximately EUR 25 million. In April 2020, the construction of the hotel was completed, and the purchase transaction was completed. Until the date of completion, the company paid a total of approximately EUR 3 million on account of the consideration and at the date of completion of the transaction, the balance of the consideration of EUR 22 million was paid, and bank financing was granted in the amount of approximately EUR 15 million.

b. In February 2020, Fattal Properties (Europe) issued additional Series C debentures by an allocation to the public of 198,679,000 Series C debentures, each with NIS 1 par value, of Fattal Properties (Europe) listed for trading at a price of NIS 1.016 for each NIS 1 par value of debentures and a total of approximately NIS 201,857,864 for all Series C debentures. After the additional allocation, the total amount of the Series C debentures is NIS 561,913,000 par value. Shortly before the date of receipt of the proceeds from the issuance described above, Fattal Properties (Europe) executed a full hedging transaction with a banking corporation, whereby the NIS debt (principal and interest) was converted into Euro debt, such that on each payment date of interest and/or principal, the banking corporation will pay a NIS amount against the receipt of the amount in Euro determined at the date of the hedge transaction.
As a result of the transaction, the NIS debt was replaced by Euro debt at an annual nominal interest rate of 2.12%. The exchange of principal and interest as aforesaid is treated as a cash flow hedge transaction. The Euro effective interest of the expansion of the debentures (including issuance costs) is 1.92%.

c. As part of the Fattal Properties (Europe) Ltd's activities to limit its exposure to changes in the exchange rate of the Euro (the functional currency of Fattal Properties (Europe)) vis-à-vis the NIS (the currency of the major part of the Company's financing), the Fattal Properties (Europe) enters into currency swap transactions close to the receipt of consideration from the issue of bonds in recent years. In these transactions the NIS debt (principal and fixed rate interest) is swapped for Euro debt (principal and fixed rate interest).
In May 2020, due to the Corona crisis, Fattal Properties (Europe) Ltd. unwound the majority of its interest rate swaps vis-à-vis Israeli banks and this generated excess cash flows of Euro 20.4 million for Fattal Properties (Europe). Accordingly, from the above date, changes in the exchange rate in respect of liabilities that are not in the euro currency will be charged to the statement of profit and loss.

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

d. In July 2020, the Group signed the sale of the Leonardo Royal Berlin Alexanderplatz Hotel. The transaction was carried out by way of Sale and Lease back the hotel. In accordance with the agreement, at the date of completion of the transaction, the purchaser will pay the Group a sum of EUR 57.4 million, who at the same time will repay the bank loan in respect of the asset, whose balance as of the date of approval of the financial statements, is approximately EUR 23.5 million. The amount of cash expected to be derived by the Group from the transaction after the repayment of the loan and the relevant partners as stated above and the payment of taxes as a result of the transaction, is approximately EUR 17.3 million.

   In addition, the Group is negotiating the sale of two additional properties, one in Munich (Germany) and the second in The Hague (Netherlands).
   The above three properties and banks liabilities in respect of them are presented in the consolidated statements of financial position under assets and liabilities held for sale, respectively.

e. In August 2020, Fattal Properties (Europe) Ltd issued to the public NIS 258,213 thousand par value of Debentures (Series D) of NIS 1 par value each of the Fattal Properties (Europe) Ltd, listed for trading, for a gross monetary consideration of approximately NIS 250 million (before deducting costs of issuance in the amount of approximately NIS 2,300 thousand). The debentures are denominated in shekels bearing an annual interest rate of 4.99%, and are not linked (principal and interest).

   Debentures (Series D) are repayable in nine installments as follows: eight semi-annual installments at a rate of 7.5% of the total nominal value of the Debentures on September 30 of each of the years 2022 to 2025 (inclusive) and on March 31 of each of the years 2023 to 2026 (inclusive) and a final payment at the rate of 40% of the total nominal value of the Debentures (Series D) on September 30, 2026. The first payment of the principal will be paid on September 30, 2022 and the last payment of principal will be paid on September 30, 2026.

   As collateral to ensure the full and accurate maintenance of all Fattal Properties (Europe) liabilities under the Debentures (Series D) and the Debentures (Series D) Deed of Trust, Fattal Properties (Europe) undertook to cause each of the property corporations and holding corporations (as defined in the Debentures (Series D) Deed of Trust) to create and register in favor of the Trustee the collateral in connection with the properties Leonardo Hotel Edinburgh Murrayfield, Leonardo Hotel Edinburgh City, Leonardo Inn Glasgow West End, M-Square Leonardo Boutique Budapest, Apollo Hotel Lelystad City Center, Apollo Hotel Almere City Center and Corpus Christi Lisbon. At the date of the report, the value of the assets listed above amounts to approximately EUR 104 million. As of the date of signing the report, the collateral has not yet been registered or created, as applicable, and therefore the consideration of the net issue have not yet been transferred to Fattal Properties (Europe) and this has been deposited in the Trust Account.

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

In addition, as part of the issuance, Fattal Properties (Europe) Ltd undertook to meet financial covenants, as defined in the Deed of Trust, the main principles of which are as follows:

1. The ratio of capital to balance sheet shall not be less than 23.5%.
2. The ratio of adjusted net financial debt to adjusted NOI, as defined in the Deed of Trust, shall not exceed 16.
3. The equity of Fattal Properties (Europe) shall not be less than EUR 205 million.
4. The loan-to-collateral ratio shall not exceed 77.5%.

In addition, the Deed of Trust of the Debentures establishes an interest rate adjustment mechanism in accordance with a change in the rating of the Debentures and in the event of a breach of the following financial covenants:

1. The ratio of capital to balance sheet shall not be less than 28%.
2. The ratio of adjusted net financial debt to adjusted NOI, as defined in the Deed of Trust, shall not exceed 15.5.
3. The equity of Fattal Properties (Europe) shall not be less than EUR 230 million.
4. The ratio of the loan to the collateral shall not exceed –
   A) 70% - as long as the construction of the hotel on the Corpus Christi property and its delivery to the tenant has not yet been completed;
   B) 72.5% - from the date of completion of the construction of the hotel on the Corpus Christi property and its delivery to the tenant or from the date of its sale (whichever is earlier).

   Dividend distribution limit - Fattal Properties (Europe) Ltd undertakes that it will not make a distribution in excess of 50% of the distributable profits and taking into account definitions and restrictions as defined in the Deed of Trust.

f. In accordance with agreements with a banking corporation in December 2019, during January 2020 the Company repaid several loans from a banking corporation at various interest rates, for a total amount of approximately NIS 180 million, by early repayment. On the same date, the banking corporation provided the Company with loans in the amount of approximately NIS 320 million, linked to the index, at an interest rate of 1.18%.

g. On March 18, 2020, Midroog the rating company placed the Company's credit rating and the rating of the Series B and C bonds of the Company issued on credit watch with negative outlook. Placing the rating on credit watch is due to the effect of the outbreak of the Corona pandemic: limitations on movement and gatherings, the effect on the global economy and specifically on the hotel industry and accordingly on the Company's activities. On May 17, 2020, Midroog announced a down grade on the Company's issuer rating and the rating of its listed bonds from a rating of A1.IL to a rating of A3.IL and maintained the rating on credit watch with negative outlook.

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

h. In July 2020, the Company completed the raising of equity of approximately NIS 99 million by way of a rights issue. Mr. David Fattal, Chairman and CEO of the Company, the controlling shareholder of the Company, utilized in full the rights allocated to him as part of the rights issue and invested approximately NIS 57 million in the equity of the Company.

i. In line with the Company Management's assessment that the EBITDA in the first, second and third quarters, 2020 will materially decrease as compared with the parallel quarters in 2019 as a direct and exclusive consequence of the closure of the majority of the Group's hotels and the cessation of their activity because of the Corona crisis, the Company assessed that during 2020 it will not meet one or more of the financial covenants relating to the EBITDA level for four consecutive quarters ('the financial covenants') that it is obliged to meet as part of its bond deeds. As a result, in May 2020, the Company approached the holders of its bonds (Series B and C) with the request to receive their approval for a temporary waiver from part of the financial covenants that give the holders of the bonds the right to place the outstanding balance on instant redemption. On June 2, 2020, the holders of the Series B bonds approved the Company's request and at that time the Company's request regarding the holders of Series B and Series C bonds (that approved the request on May 21, 2020). Below the main terms of the agreement with the bond holders:

1. The financial covenants will not be tested from the publication date of the Company's interim statements for March 31, 2020 until the publication of the Company's interim statements for March 31, 2021 (inclusive); And from the publication date of the Company's interim financial statements for June 30, 2021 until the publication date of the Company's periodic statements for December 31, 2021 (inclusive) testing of the financial covenants will accordingly exclude the EBITDA data for the first until the fourth quarters of 2020 and the first quarter of 2021; the waiver will only apply to the covenant allowing the demand for instant settlement due to non-compliance with the financial covenants in the waiver period. The agreement also determined circumstances when the waiver period will finish before the publication of the Company's periodic report for the year 2021.

2. The Company will pay the bond holders additional annual interest of 0.5% due to the reduction in the rating of the bonds. The Company will pay the addition to the bond holders from June 2, 2020 until the end of the waiver period, or afterwards if the rating remains as is, even if during the relevant period Midroog will increase the bond rating to the base rating (rating of A) or to a higher rating.

3. The Company will pay the bond holders additional interest of 0.25% due to the Company's non-compliance with the financial covenants. The Company will pay the addition to the bond holders from June 2, 2020 to the end of the waiver period, even if in this period the Company complies with the financial covenants.

4. The Company committed not to improve collateral and not to make early repayments to the Company's existing financial creditors (excluding the Group's European operating companies and Fattal Properties (Europe) Ltd.), that are not in accordance with the original repayment schedule in the arrangements with the financial creditors.

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

5. The Company (excluding the Group's European operating companies and Fattal Properties (Europe) Ltd.) committed not to take new credit against the Group's existing non-pledged assets.

6. The Company committed not to make any distributions, including declarations, payments or distributions of dividend during the waiver period.

7. The annual limit of the Company's bonus payment to Fattal Investments (1998) Ltd. in accordance with the consulting and initiating agreement for the year 2020 will be NIS 2,912 thousand (compared with the annual limit of NIS 5,824 thousand set in the agreement).

8. The Company undertook to offer the Company’s shares for the total amount of NIS 100 million by way of issuing rights to the Company’s existing shareholders, in which the controlling shareholder will utilize, in accordance with the undertaking given by him, the rights in full that were allotted to him, and invest approximately NIS 57 million in the Company’s equity. See Note 4h above regarding the completion of the issue as aforesaid.

9. Without derogating from the Company's commitment to the rights issue (as detailed above) the Company committed to issue capital (in this respect – the Company's share issue for cash and for a shareholders' loan of NIS 50 million, for each reduction of a notch in the rating below the rate of A- (that means starting by a reduction below BBB+), that is subordinated (also in the case of insolvency) to the Company's bonds (Series B and C) in issue and that the Company will not repay (principal and interest) before the end of the waiver period.

10. Without derogating from the Company's commitment to the rights issue (as detailed above) the Company committed to issue capital (in this respect – the Company's share issue for cash and for a shareholders' loan that is subordinated (also in the case of insolvency) to the Company's bonds (Series B and C) in issue and that the Company will not repay (principal and interest) before the end of the waiver period within 50 business days after the end of 2020 in the circumstances and amounts as detailed below:

    a) In case the total consolidated cash generated to the Company until the end of 2020 from the following sources:

       In case the cash from inserting partners into the European hotels, sale of European hotels, refinancing of non-pledged assets or pledged assets with comparatively low LTVs and receipt of government guaranteed loans amounts to less than NIS 150 million - a capital issue of NIS 100 million.

    b) In case the total consolidated cash generated to the Company until the end of 2020 from the above actions is between NIS 150 million and NIS 300 million – a capital issue of NIS 50 million. On condition that the capital issue subject of item 10 above and the capital issue subject of item 9 above will be less than a cumulative total of NIS 100 million.

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

j. Some of the bank loan documents contain commitments, among others, to meet financial covenants in the Company's consolidated financial statements including the ratio of debt to EBITDA. The relevant banks agreed before the date of signing of this report that the condition relating to the EBITDA will not be checked before March 2021.

k. Impairments and provisions due to the Corona crisis:

The Group's fixed assets are presented at fair value, as determined by valuations performed by an acknowledged professionally qualified independent valuation expert for the real estate of the location and type valued. The fair value is determined on the basis of income capitalization or a discounted cash flow method for future expected cash flows from the asset.
In the estimate of the cash flows the inherent risk and the fixed and variable rental fees due to the landlord were taken into account, and these were capitalized at yield rates reflecting the risks inherent in the cash flows, which was determined taking account of the accepted market yield as adjusted to the asset's specific characteristics and the level of risk of the expected revenues.

The measurement of the fair value was classified as level 3 in the fair value hierarchy.
Due to the Corona crisis, and the temporary reduction in operating turnover of the Company's hotels, the Company updated the value of its fixed assets as of June 30, 2020, in line with the updates to the value received from the valuation assessors and accordingly recorded a total impairment of NIS 144 million, of which approximately NIS 79 million (before tax effect) was recorded in the revaluation reserve and approximately NIS 65 million was recorded in other expenses in the profit and loss account. In addition, the Company recorded an impairment of approximately NIS 26 million in investee companies presented using the equity method. The Company also recorded a provision of NIS 20 million for amounts allocated to third parties for investment in hotels during the reporting period. This provision was included in other expenses in the profit and loss account.

There was no material change in the discount rate inherent in the Company’s asset portfolio as of March 31 and June 30, 2020, compared with the discount rate as of December 31, 2019.

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:

	December 31, 2019		June 30, 2019	
	Book value	Fair value	Book value	Fair value
	N I S (In thousands)			
Loans from banking corporations and other liabilities:				
Debentures (Level 1 of the fair value hierarchy)	1,842,470	1,951,994	1,678,593	1,746,486
Fixed interest loans (Level 3 of the fair value hierarchy)	1,346,330	1,385,703	1,378,143	1,424,305
Total	3,188,800	3,337,697	3,056,736	3,170,791

			Convenience translation (Note 1b)	
	June 30, 2020		June 30, 2020	
	Book value	Fair value	Book value	Fair value
	N I S		Euro	
	(In thousands)			
Loans from banking corporations and other liabilities:				
Debentures (Level 1 of the fair value hierarchy)	2,005,267	1,514,182	516,449	389,972
Fixed interest loans (Level 3 of the fair value hierarchy)	1,685,570	1,655,581	434,112	426,388
Total	3,690,837	3,169,763	950,561	816,360

It should be noted that, as at June 30, 2020, the Company had a consolidated working capital deficit (including relating to assets and liabilities held for sale) of about NIS 195 million. According to the Company's Management and the Board of Directors, the above deficit does not indicate a liquidity issue as the Company has the following sources:

- Cash available to the Group close to the date the financial statements were approved of approximately NIS 786 million.
- Financing assets that were not financed.
- Proceeds from the issuance of debentures after the balance sheet date in the amount of approximately NIS 250 million, as detailed in Note 4e above.
- Receipt of government guaranteed loans.
- The sale of assets.
- Net cash flows from operating activities, taking into account the reduction in the Company's revenues from operating activities due to the Corona crisis.

NOTE 6:- OPERATING SEGMENTS

a. General:

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

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

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

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

NOTE 6:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
Year ended December 31, 2019 (audited)								
Segment revenues	1,708,798	1,899,463	1,700,754	137,034	(103,660)	5,342,389	-	5,342,389
Operating income before depreciation and amortization, other operating expenses and rental expenses	430,857	735,374	623,006	51,712	(30,340)	1,810,609	-	1,810,609
Operating income before depreciation and amortization and other operating expenses	303,812	412,989	131,607	19,833	(92,960)	775,281	920,055	1,695,336
Depreciation and amortization	(84,105)	(165,710)	(94,787)	(10,994)	45,785	(309,811)	(584,363)	(894,174)
Other operating expenses, net								(36,313)
Finance expenses, net								(718,397)
Group's share of earnings of associate companies and partnerships accounted for at equity								10,944
Income before taxes on income								57,396
Taxes on income								(16,554)
Net income								40,842

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
Three months ended June 30, 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
Taxes on income								(20,983)
Income for the period								62,853

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
Three months ended June 30, 2020 (unaudited)								
Segment revenues	62,781	53,600	5,915	5,731	(5,164)	122,863	-	122,863
Operating income before depreciation and amortization, other operating expenses and rental expenses	(7,185)	(28,153)	(26,689)	(172)	1,604	(60,595)	-	(60,595)
Operating income before depreciation and amortization and other operating expenses	(25,811)	(88,986)	(109,351)	(3,845)	(4,764)	(232,757)	172,025	(60,732)
Depreciation and amortization	(21,303)	(42,658)	(23,768)	(4,809)	11,814	(80,724)	(153,652)	(234,376)
Finance expenses, net								(186,908)
Other operating income, net								41,611
Group's share of losses of associate companies and partnerships accounted for at equity								(11,004)
Loss before tax benefit								(451,409)
Tax benefit								92,296
Loss for the period								(359,113)

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS thousands							
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
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
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
Depreciation and amortization	(41,820)	(78,015)	(47,645)	(5,646)	22,272	(150,854)	(276,377)	(427,231)
Finance expenses, net								(348,859)
Other operating expenses, net								(8,440)
Group's share of earnings of associate companies and partnerships accounted for at equity								1,511
Loss before taxes on income								(17,774)
Taxes on income								7,271
Loss for the period								(25,045)

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Israel	Abroad (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total	Convenience translation (Note 1b) Total
	N I S (In thousands)								Euro
Six months ended June 30, 2020 (unaudited)									
Segment revenues	304,244	369,182	287,513	18,237	(17,025)	962,151	-	962,151	247,798
Operating income before depreciation and amortization, other operating expenses and rental expenses	26,065	45,842	28,822	(835)	4,511	104,405	-	104,405	26,889
Operating income before depreciation and amortization and other operating expenses	(18,651)	(85,931)	(144,945)	(13,625)	(14,712)	(277,864)	380,472	102,608	26,426
Depreciation and amortization	(44,288)	(87,164)	(48,424)	(8,147)	23,829	(164,194)	(308,048)	(472,242)	(121,623)
Finance expenses, net								(409,420)	(105,445)
Other operating expenses, net								(45,338)	(11,677)
Group's share of losses of associate companies and partnerships accounted for at equity								(20,685)	(5,327)
Loss before taxes on income								(845,077)	(217,646)
Tax benefit								178,216	45,899
Loss for the period								(666,861)	(171,747)

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