FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 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 March 31, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the 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 54,193 thousand as of March 31, 2020 and the Company's share of their losses amounted to NIS 2,168 thousand for the three months period then ended. The condensed interim financial information of this company was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of this company, is based on the review reports of the other auditors.

Scope of review

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

Conclusion

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

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

Emphasis of matter

Without qualifying our above conclusion, we draw attention to the matter discussed in Note 1c regarding the uncertainty that exists due to the spread of the Coronavirus which has led to a crisis in the markets in general and to an almost complete cessation of activities in the entire tourism and hospitality industry globally and, 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
June 29, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	March 31, 2019	March 31, 2020	Convenience translation (Note 1b) March 31, 2020
	Audited	Unaudited		Unaudited
	NIS			Euro
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	859,646	537,789	1,043,725	267,601
Securities held for trading	260,617	132,206	1,642	421
Trade receivables	344,455	367,691	180,420	46,258
Other accounts receivable	147,327	303,064	224,713	57,614
Income tax receivable	49,273	76,916	24,203	6,206
Inventories	17,592	16,820	14,976	3,840
	1,678,910	1,434,486	1,489,679	381,940
Assets held for sale	144,544	144,745	143,107	36,691
	1,823,454	1,579,231	1,632,786	418,631
NON-CURRENT ASSETS:				
Long-term receivables	94,516	89,938	89,940	23,060
Advance on Fixed Assets	46,078	37,390	29,359	7,527
Loans and Investments in companies and partnerships accounted for at equity	1,236,312	932,032	1,241,664	318,351
Property, plant and equipment, net	5,751,589	5,550,852	5,867,576	1,504,391
Right-of-use assets, net	12,227,795	12,669,902	11,995,065	3,075,421
Deferred taxes on right-of-use assets	177,142	(*) 109,668	202,539	51,929
Deferred taxes	17,976	24,553	25,951	6,653
Intangible assets	413,605	437,867	411,301	105,454
	19,965,013	19,852,202	19,863,395	5,092,786
	21,788,467	21,431,433	21,496,181	5,511,417

(*) Immaterial adjustment. See note 2d.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	March 31, 2019	March 31, 2020	Convenience translation (Note 1b) March 31, 2020
	Audited	Unaudited		Unaudited
	NIS			Euro
	(In thousands)			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	296,837	303,532	300,645	77,083
Current maturities of liabilities from leases of right-of-use assets	257,520	217,602	258,867	66,371
Current maturities of debentures	158,417	100,902	182,269	46,732
Trade payables	196,179	272,053	250,246	64,161
Income tax payable	79,810	108,430	65,404	16,768
Other accounts payable	752,048	647,442	624,954	160,232
Shareholders	5,821	56,325	15	4
	1,746,632	1,706,286	1,682,400	431,351
Liabilities attributed to assets held for sale	43,854	45,600	42,869	10,991
	1,790,486	1,751,886	1,725,269	442,342
NON-CURRENT LIABILITIES:				
Loans from banks and others	2,448,924	2,375,865	2,681,651	687,550
Debentures, net	1,684,053	1,419,382	1,833,292	470,039
Liabilities from leases of right-of-use assets	12,279,543	12,549,718	12,151,193	3,115,451
Deferred taxes	395,572	347,127	316,295	81,095
Employee benefit liabilities, net	21,065	15,675	21,337	5,471
Other non-current liabilities	48,634	104,403	62,842	16,112
Shareholders	2,089	5,772	2,037	522
	16,879,880	16,817,942	17,068,647	4,376,240
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	635,177	635,177	635,177	162,853
Capital reserves	996,352	853,588	880,773	225,822
Retained earnings	1,345,877	(*) 1,246,224	1,050,077	269,230
	2,977,406	2,734,989	2,566,027	657,905
Non-controlling interests	140,695	126,616	136,238	34,930
Total equity	3,118,101	2,861,605	2,702,265	692,835
	21,788,467	21,431,433	21,496,181	5,511,417

(*) Immaterial adjustment. See note 2d.

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

June 29, 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, 2019	Three months ended March 31, 2019	Three months ended March 31, 2020	Convenience translation (Note 1b) Three months ended March 31, 2020
	Audited	Unaudited	Unaudited	Unaudited
	NIS	NIS	NIS	Euro
	(In thousands)			
Revenues from hospitality services and others	5,342,389	1,024,443	839,288	215,185
Cost of revenues	2,909,106	624,229	549,977	141,009
	2,433,283	400,214	289,311	74,176
Selling and marketing expenses	145,773	35,027	31,843	8,164
General and administrative expenses	476,901	106,172	92,468	23,708
	1,810,609	259,015	165,000	42,304
Hotel lease expenses	115,273	16,110	1,660	425
Operating income before depreciation and amortization and other operating expenses	1,695,336	242,905	163,340	41,879
Depreciation and amortization	264,207	66,719	71,479	18,327
Depreciation of revaluation of step-up	45,604	9,636	11,991	3,074
Depreciation on right-of-use assets	584,363	123,620	154,396	39,586
Other operating expenses, net	36,313	5,097	86,949	22,293
Operating income (loss)	764,849	37,833	(161,475)	(41,401)
Finance income	5,940	492	599	154
Finance expenses	(106,395)	(14,841)	(63,524)	(16,287)
Financing expenses on liabilities from leases of right-of-use assets	(617,942)	(127,537)	(159,587)	(40,917)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	10,944	2,443	(9,681)	(2,482)
Income (loss) before taxes on income	57,396	(101,610)	(393,668)	(100,933)
Tax benefit (Taxes on income)	(16,554)	13,712	85,920	22,029
Net income (loss)	40,842	(87,898)	(307,748)	(78,904)
Attributable to:				
Shareholders of the Company	38,010	(88,044)	(307,272)	(78,782)
Non-controlling interests	2,832	146	(476)	(122)
	40,842	(87,898)	(307,748)	(78,904)
Net earnings (losses) per share attributed to equity holders of the Company (in NIS)				
Basic earnings (losses) per share	2.63	(5.47)	(21.28)	(21.28)
Diluted earnings (losses) per share	2.62	(5.47)	(21.28)	(21.28)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2019	Three months ended March 31, 2019	Three months ended March 31, 2020	Convenience translation (Note 1b) Three months ended March 31, 2020
	Audited	Unaudited		Unaudited
	N I S (In thousands)			Euro
Net income (loss)	40,842	(87,898)	(307,748)	(78,904)
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	71,998	(107,061)	(27,450)
Group's share in revaluation of properties in companies and partnerships accounted for at equity	93,336	1,124	(21,044)	(5,395)
Total amounts that will not be reclassified subsequently to profit or loss	367,028	73,122	(128,105)	(32,845)
Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:				
Income in respect of cash flow hedging transaction	90,421	28,634	2,481	636
Foreign currency translation adjustments	(288,429)	(119,946)	17,356	4,450
Total amounts that will be reclassified subsequently to profit or loss	(198,008)	(91,312)	19,837	5,086
Total other comprehensive income (loss)	169,020	(18,190)	(108,268)	(27,759)
Total comprehensive income (loss)	209,862	(106,088)	(416,016)	(106,663)
Attributable to:				
Shareholders of the Company	197,616	(102,582)	(412,033)	(105,642)
Non-controlling interests	12,246	(3,506)	(3,983)	(1,021)
	209,862	(106,088)	(416,016)	(106,663)

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
	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)	90,421	366,053	159,606	9,414	169,020
Total comprehensive income (loss)	-	-	38,010	(296,868)	90,421	366,053	197,616	12,246	209,862
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)	37,202	1,263,204	2,977,406	140,695	3,118,101

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 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	-	-	(*) (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)	-	-	(88,044)	-	-	-	(88,044)	146	(87,898)
Other comprehensive income (loss)	-	-	-	(121,575)	28,634	78,403	(14,538)	(3,652)	(18,190)
Total comprehensive income (loss)	-	-	(88,044)	(121,575)	28,634	78,403	(102,582)	(3,506)	(106,088)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(228)	(228)
Vesting option to employees	-	610	-	-	-	-	610	-	610
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	9,249	-	-	(9,249)	-	-	-
Balance as of March 31, 2019	635,177	3,367	(*)1,246,224	(134,347)	(24,585)	1,009,153	2,734,989	126,616	2,861,605

(*) Immaterial adjustment. See note 2d.

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 January 1, 2020 (audited)	635,177	5,586	1,345,877	(309,640)	37,202	1,263,204	2,977,406	140,695	3,118,101
Net loss			(307,272)				(307,272)	(476)	(307,748)
Other comprehensive income (loss)				15,881	2,481	(123,123)	(104,761)	(3,507)	(108,268)
Total comprehensive income (loss)	-	-	(307,272)	15,881	2,481	(123,123)	(412,033)	(3,983)	(416,016)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(474)	(474)
Vesting option to employees	-	654	-	-	-	-	654	-	654
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	11,472	-	-	(11,472)	-	-	-
Balance as of March 31, 2020	635,177	6,240	1,050,077	(293,759)	39,683	1,128,609	2,566,027	136,238	2,702,265

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								
	Convenience translation into Euro (Note 1b) (In thousands)								
Balance as of January 1, 2020 (audited)	162,853	1,432	345,071	(79,389)	9,538	323,874	763,379	36,073	799,452
Net loss	-	-	(78,782)	-	-	-	(78,782)	(122)	(78,904)
Other comprehensive income (loss)	-	-	-	4,072	636	(31,568)	(26,860)	(899)	(27,759)
Total comprehensive income (loss)	-	-	(78,782)	4,072	636	(31,568)	(105,642)	(1,021)	(106,663)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(122)	(122)
Vesting option to employees	-	168	-	-	-	-	168	-	168
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	2,941	-	-	(2,941)	-	-	-
Balance as of March 31, 2020	162,853	1,600	269,230	(75,317)	10,174	289,365	657,905	34,930	692,835

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 March 31, 2019	Three months ended March 31, 2020	Convenience translation (Note 1b) Three months ended March 31, 2020
	Audited	Unaudited		Unaudited
	N I S			Euro
	(In thousands)			
Cash flows from operating activities:				
Net income (loss)	40,842	(87,898)	(307,748)	(78,904)
Adjustments to reconcile net income to net cash provided by operating activities:				
Adjustments to the profit or loss items:				
Depreciation and amortization	894,174	199,975	237,866	60,987
Finance expenses, net	728,225	146,135	207,186	53,121
Group's share of losses (earnings) of companies and partnerships accounted for at equity	(10,944)	(2,443)	9,681	2,482
Change in liabilities for time-sharing rights, net	(1,024)	(226)	(146)	(37)
Change in employee benefit liabilities, net	1,093	1,071	259	66
Costs related to transactions for the purchase of assets	-	4,016	-	-
Loss from impairment of fixed assets	7,466	-	89,612	22,976
Taxes on income (Tax benefit)	16,554	(13,712)	(85,920)	(22,029)
Share-based payment expense	2,829	610	654	168
Loss (profit) from a change in the value of securities held for trading	(9,640)	(3,725)	13,971	3,581
	1,628,733	331,701	473,163	121,315
Changes in asset and liability items:				
Decrease (increase) in trade receivables	(15,378)	(32,048)	165,874	42,529
Decrease (increase) in other accounts receivable	116,434	(25,681)	(45,676)	(11,711)
Decrease (increase) in inventories	(815)	707	2,688	689
Decrease (increase) in long-term receivables	(58,446)	(12,076)	47,872	12,274
Increase in trade payables	8,863	56,490	51,835	13,290
Increase (decrease) in other accounts payable	28,020	(34,400)	(136,174)	(34,914)
Increase in other non-current liabilities	74,138	8,696	10,310	2,643
	152,816	(38,312)	96,729	24,800
Cash paid during the period for:				
Taxes received	28,896	12,985	43,433	11,136
Taxes paid	(150,010)	(27,079)	(31,702)	(8,128)
Interest paid for leases of right-of-use assets	(619,207)	(128,173)	(159,681)	(40,941)
Other interest paid, net	(109,296)	(20,186)	(34,794)	(8,921)
	(849,617)	(162,453)	(182,744)	(46,854)
Net cash provided by operating activities	972,774	43,038	79,400	20,357

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 March 31, 2019	Three months ended March 31, 2020	Convenience translation (Note 1b) Three months ended March 31, 2020
	Audited	Unaudited	Unaudited	Unaudited
	NIS (In thousands)			Euro
Cash flows from investing activities:				
Purchase of property, plant and equipment, net	(787,459)	(432,166)	(223,418)	(57,282)
Advance of investment in fixed assets	(14,562)	(7,002)	-	-
Purchase of companies consolidated for the first time (Appendix A)	(83,449)	(50,121)	(219,911)	(56,383)
Exit from consolidation (Appendix B)	-	-	20,223	5,185
Sale and purchase of securities held for trading, net	(12,256)	110,240	245,004	62,817
Short-term loan	-	-	(50,000)	(12,820)
Loans and Investment in companies and partnerships accounted for at equity	(176,478)	(11,811)	(32,710)	(8,387)
Other assets, net	(1,501)	(1,501)	-	-
Withdrawal of designated deposit	65,770	1,620	-	-
Investment in various companies	(27,047)	(5,937)	(4,322)	(1,108)
Net cash used in investing activities	(1,036,982)	(396,678)	(265,134)	(67,978)
Cash flows from financing activities:				
Dividend paid	(110,039)	-	-	-
Short-term credit from banking corporations, net	(29,857)	297	585	150
Repayment of long-term loans from corporations and others	(284,211)	(54,417)	(109,553)	(28,088)
Repayment of debentures	(191,732)	(117,510)	(27,930)	(7,161)
Repayment of liabilities from leases of right-of-use assets	(439,491)	(203,029)	(50,632)	(12,982)
Receipt of long-term loans from banking corporations and others	650,935	310,393	352,515	90,382
Issue of debentures, net	708,071	312,786	200,627	51,439
Net cash provided by financing activities	303,676	248,520	365,612	93,740
Translation differences in respect of balances of cash and cash equivalents	(40,809)	(18,220)	4,548	1,166
Increase (decrease) in cash and cash equivalents	198,659	(123,340)	184,426	47,285
Cash included in assets held for sale	(273)	(131)	(347)	(89)
Cash and cash equivalents at beginning of period	661,260	661,260	859,646	220,405
Cash and cash equivalents at end of period	859,646	537,789	1,043,725	267,601
Material non-cash activity:				
Recognition of the right-of-use assets against lease liabilities	3,449,542	3,557,799	146,138	37,468
Purchase of property, plant and equipment	-	25,985	-	-

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 March 31, 2019	Three months ended March 31, 2020	Convenience translation (Note 1b) Three months ended March 31, 2020
	Audited	Unaudited	Unaudited	Unaudited
	NIS			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	20,038	3,284	842
Non - current assets	(34,626)	(38,860)	-	-
Deferred taxes	411	1,280	-	-
Property, plant and equipment	(103,394)	(70,159)	(223,195)	(57,225)
Goodwill created on acquisition (including brand)	2,102	5,472	-	-
Non - current liabilities	32,110	32,108	-	-
	(83,449)	(50,121)	(219,911)	(56,383)
(b) Exit from consolidation:				
Non-current assets	-	-	20,223	5,185
	-	-	20,223	5,185

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 March 31, 2020 and for the 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 accompanying notes, which are included as part of the prospectus ("annual consolidated financial statements").

b. The financial statements as of March 31, 2020 and for the three months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 3.9003) 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 during 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 backdrop of the limitations imposed on movement and convening in Israel and Europe, including a lockdown of all recreational activity in Israel and Europe, as well as issuance of closure orders to hotels in some of the countries of operations. The Company has taken and continues to take, inter alia, the following actions, for the purpose of adjusting its cash-flow expenses to the material decrease in revenues:

1) Reductions and streamlining in manpower (in quantity of employees as well as quantity 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 will return 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 at the date of signing this report about 1,000 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) All the Group's welfare and training activities were reduced.

4) Jobs were consolidated, at Head Office, in the operating areas and in those limited number of hotels that were not closed.

5) Closure of hotels with low occupancy rates and transfer of guests to other of the Chain's hotels – the Company closed about 160 out of 183 of the Group's hotels that operate in Israel and Europe during the months of March / April 2020, where the occupancy rates in those hotels that remained open were very limited (from 5% to 30% only). As at the date of signing this report, the Company is in the process of re-opening in line with demand and at this date 86 hotels in Israel and Europe are open. The occupancy rates in the re-opened hotels are between 20% and 30% for urban hotels and between 50% and 80% for leisure hotels. About 60 additional hotels are expected to open during July 2020.

6) Reduction or cancellation of retainers for external service providers and receipt of discounts from suppliers.

7) 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.

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

9) 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.

10) Cessation of the Group's projects in branding and the digital field.

NOTE 1: - GENERAL (cont.)

11) 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 at the date of signing this report, the Company received a deferral (to future years) of rental fees totaling about NIS 33 million and reduction and waiver of rental fees in the total amount of about NIS 45 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).

12) Inserting partners in the European hotels – the Company is examining the possibility of inserting partners for up to 50% in some of the Group owned hotels.

13) 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. In this respect the Company is negotiating with third parties (that are not related to the Company or its controlling shareholder) to enter into Sale and Lease Back transactions for the Leonardo Royal Berlin Alexanderplatz (Germany), the Leonardo Hotel Munich City East (Germany) and the Leonardo Royal Den Haag (Netherlands). As at March, 31 2020 the value of the above hotels in the Company's financial statements amounted to about Euro 136 million (about NIS 530 million) and the debt relating to these hotels at the same date amounted to about Euro 58.5 million (about NIS 228 million).

14) 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 at the date these financial statements were approved the Company has assets that are not pledged valued at about Euro 171 million (about NIS 652 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 about NIS 120 million for a period of two quarters.

15) In some countries the government declared government guaranteed loans in material amounts. In this respect it should be noted that as at 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 about Euro 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 about GBP 50 million. In addition, after the balance sheet date, Israeli banks granted the Company government guaranteed loans for total about NIS 31 million.

NOTE 1: - GENERAL (cont.)

16) Rights issue – the Company is preparing to issue rights amounting to NIS 100 million in July 2020 in order to strengthen its capital and its liquidity in accordance with its obligations to the bond holders (Series 'B' and 'C'). Mr. David Fattal, the Company's Chairman, CEO and controlling shareholder, committed to utilize all his rights in the rights issue and invest about NIS 57 million in the Company's capital in line with his holding of the Company's issued and paid capital.

    It should be noted relating to items 12 – 14 above that at the date of approval of the financial statements there are no negotiations with anybody specific to enter as partner for some of the hotels in Europe.

The Company estimates that taking the steps described in items 1 to 11 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 first quarters of 2020 and taking the steps described in items 12 to 16 above could lead to additional sources of funds for the Company estimated at about NIS 1 billion (as described above and below).

In the opinion of Management and the Board of Directors, these steps, together with cash balances of about NIS 740 million that the Company holds near the time the financial statements were approved, will allow the Company to meet all its liabilities in the coming year (so to June 2021) in such a way that will allow the gradual return to ordinary operations without additional steps. 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:

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

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.

c. Disclosure of IFRS standards in the period prior to their implementation:

On May 2020, Due to Covid-19 pandemic, the IASB issued amendment to IFRS 16 Leases (hereinafter – "the amendment").
The purpose of the amendment is to provide practical relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. A lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification.
The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all the following conditions, in aggregate, are met:

The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

NOTE 2- : SIGNIFICANT ACCOUNTING POLICIES (cont.)

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Company examines the expected impact of the amendment on its financial statements.

d. 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.

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 1(c).

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

(*) Management agreement

1) In January 2020 an investee company entered into an agreement to acquire shares for a total consideration of Euro 42 million in a company that owns the plot on which a building for preservation with current building rights to build a 132 room hotel. The investee company intends to build a 4 star deluxe or 5 star hotel on the plot. In the Company's assessment the construction costs will total about Euro 22 million, so the total cost of the hotel will amount to about Euro 64 million. During the first quarter of 2020, the transaction was completed and the total consideration of Euro 42 million was paid.

2) In December 2016 an investee company entered into an agreement that provided that this company would acquire 94.9% of the shares of a corporation that on the closing date will acquire real estate in Dortmund, Germany, on which a third party will build a hotel (a 'turnkey' agreement). In April 2020 the construction of the hotel was finished and the acquisition transaction was completed. At the time of completion of the transaction the remaining balance of about Euro 22 million was paid and bank finance of about Euro 15 million was provided.

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%.

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

c. As part of 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), 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).

After the balance sheet date, 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 19.5 million for Fattal Properties (Europe).

d. 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%.

e. 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.

f. 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 assesses 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.

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

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.

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 committed to issue capital of NIS 100 million before July 31, 2020 through a rights issue to the Company's existing shareholders and in which the controlling shareholder will utilize all his rights and will invest NIS 57 million in the Company's capital.

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 A3 (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.

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

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

g. 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.

h. 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 at March 31, 2020, in line with the updates to the value received from the valuation assessors and accordingly recorded a total impairment of NIS 201 million, of which about NIS 132 million (before tax effect) was recorded in the revaluation reserve and about NIS 69 million was recorded in other expenses in the profit and loss account. In addition, the Company recorded an impairment of about 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 at March 31, 2020 as compared with the discount rate as at 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:

	March 31, 2019		December 31, 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)	1,520,284	1,560,668	1,842,470	1,951,994
Fixed interest loans (Level 3 of the fair value hierarchy)	1,049,423	1,075,732	1,346,330	1,385,703
Total	2,569,707	2,636,400	3,188,800	3,337,697

			Convenience translation (note 1b)	
	Book value	Fair value	Book value	Fair value
	March 31, 2020		March 31, 2020	
	Unaudited			
	NIS (In thousands)		Euro (In thousands)	
Loans from banking corporations and other liabilities				
Debentures (Level 1 of the fair value hierarchy)	2,015,561	1,399,200	516,771	358,742
Fixed interest loans (Level 3 of the fair value hierarchy)	1,616,719	1,580,205	414,511	405,150
Total	3,632,280	2,979,405	931,282	763,892

It should be noted that, as at March 31, 2020, the Company had a consolidated working capital deficit (including relating to assets and liabilities held for sale) of about NIS 93 million. According to the Company's Management and the Board of Directors, the above deficit does not indicate a liquidity issue as the Company has the following sources:

- Cash available to the Group close to the date the financial statements were approved of about NIS 740 million.
- Financing assets that were not financed.
- The rights issue the Company intends to make in July 2020 – Mr. David Fattal, the Company's controlling shareholder, committed to utilize all the rights allocated to him in the rights issue and to invest NIS 57 million in the Company's capital.
- 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.):

	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								Euro
	(In thousands)								
Three months ended March 31, 2020 (unaudited):									
Segment revenues	241,463	315,582	281,598	12,506	(11,861)	839,288	-	839,288	215,185
Operating income before depreciation and amortization, other operating expenses and rental expenses	33,251	73,993	55,510	(662)	2,908	165,000	-	165,000	42,304
Operating income before depreciation and amortization and other operating expenses	7,160	3,054	(35,594)	(9,779)	(9,948)	(45,107)	208,447	163,340	41,879
Depreciation and amortization	(22,985)	(44,505)	(24,656)	(3,338)	12,014	(83,470)	(154,396)	(237,866)	(60,987)
Finance expenses, net								(222,512)	(57,050)
Other operating expenses, net								(86,949)	(22,293)
Group's share of losses of associate companies and partnerships accounted for at equity								(9,681)	(2,482)
Loss before tax benefit								(393,668)	(100,933)
Tax benefit								85,920	22,029
Loss for the period								(307,748)	(78,904)

NOTE 6: - 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
	N I S (In thousands)							
Three months ended March 31, 2019 (unaudited):								
Segment revenues	329,713	397,137	317,789	-	(20,196)	1,024,443	-	1,024,443
Operating income before depreciation and amortization, other operating expenses and rental expenses	59,229	117,411	89,756	(4,872)	(2,508)	259,015	-	259,015
Operating income before depreciation and amortization and other operating expenses	26,597	41,907	(4,200)	(7,264)	(17,501)	39,539	203,366	242,905
Depreciation and amortization	(20,111)	(61,300)	(3,835)	(2,055)	10,946	(76,355)	(123,620)	(199,975)
Finance expenses, net								(141,886)
Other operating expenses, net								(5,097)
Group's share of earnings of associate companies and partnerships accounted for at equity								2,443
Loss before tax benefit								(101,610)
Tax benefit								13,712
Loss for the period								(87,898)

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							
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