FATTAL HOLDINGS (1998) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2020

UNAUDITED

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Auditors' Review Report to the Shareholders of Fattal Holdings (1998) Ltd.

Introduction

We have reviewed the accompanying financial information of Fattal Holdings (1998) Ltd. ("the Company"), which comprises the condensed consolidated statement of financial position as of September 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine 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 76,423 thousand as of September 30, 2020 and the Company's share of their losses amounted to NIS 5,109 thousand and NIS 814 thousand for the nine 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
November 30, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	September 30, 2019	September 30, 2020	Convenience translation (Note 1b) September 30, 2020
	Audited	Unaudited	Unaudited	Unaudited
	NIS	NIS	NIS	Euro
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	859,646	679,419	966,059	239,967
Securities held for trading	260,617	216,573	17,627	4,379
Trade receivables	344,455	443,914	187,093	46,473
Restricted deposit	-	-	116,390	28,911
Other accounts receivable	147,327	174,228	169,574	42,122
Income tax receivable	49,273	63,095	12,003	2,982
Inventories	17,592	18,884	14,614	3,630
	1,678,910	1,596,113	1,483,360	368,464
Assets held for sale	144,544	145,790	423,330	105,154
	1,823,454	1,741,903	1,906,690	473,618
NON-CURRENT ASSETS:				
Long-term receivables	94,516	99,996	20,860	5,182
Advance on Fixed Assets	46,078	59,226	32,300	8,023
Loans and investments in companies and partnerships accounted for at equity	1,236,312	1,129,421	1,315,636	326,801
Property, plant and equipment, net	5,751,589	5,544,934	5,492,275	1,364,269
Right-of-use assets, net	12,227,795	11,727,944	12,110,458	3,008,212
Deferred taxes on right-of-use assets	177,142	148,593	245,878	61,076
Deferred taxes	17,976	25,662	89,346	22,193
Intangible assets	413,605	404,302	419,020	104,084
	19,965,013	19,140,078	19,725,773	4,899,840
	21,788,467	20,881,981	21,632,463	5,373,458

(*) 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	September 30, 2019	September 30, 2020	Convenience translation (Note 1b) September 30, 2020
	Audited	Unaudited	Unaudited	Unaudited
	NIS (In thousands)			Euro
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	296,837	276,761	299,284	74,341
Current maturities of liabilities from leases of right-of-use assets	257,520	219,297	327,899	81,449
Current maturities of debentures	158,417	102,152	248,841	61,812
Trade payables	196,179	255,176	224,049	55,653
Income tax payable	79,810	86,713	83,738	20,800
Other accounts payable	752,048	727,927	721,180	179,140
Shareholders	5,821	4,413	4,263	1,059
	1,746,632	1,672,439	1,909,254	474,254
Liabilities attributed to assets held for sale	43,854	45,327	179,173	44,506
	1,790,486	1,717,766	2,088,427	518,760
NON-CURRENT LIABILITIES:				
Loans from banks and others	2,448,924	2,399,094	2,494,986	619,749
Debentures, net	1,684,053	1,523,535	1,936,513	481,026
Liabilities from leases of right-of-use assets	12,279,543	11,762,870	12,415,517	3,083,988
Deferred taxes	(*) 379,431	(*) 372,988	280,186	69,598
Employee benefit liabilities, net	21,065	18,222	21,754	5,404
Other non-current liabilities	48,634	36,608	128,932	32,026
Shareholders	2,089	2,385	4,013	997
	16,863,739	16,115,702	17,281,901	4,292,788
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:				
Share capital and premium	635,177	635,177	733,897	182,298
Capital reserves	(*)1,012,493	(*) 941,706	919,234	228,336
Retained earnings	1,345,877	1,333,269	525,084	130,430
	2,993,547	2,910,152	2,178,215	541,064
Non-controlling interests	140,695	138,361	83,920	20,846
Total equity	3,134,242	3,048,513	2,262,135	561,910
	21,788,467	20,881,981	21,632,463	5,373,458

(*) Immaterial adjustment. See note 2c.

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

November 30, 2020	David Fattal	Shachar Aka
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 September 30,		Nine months ended September 30,		Convenience translation (Note 1b) Nine months ended September 30,
	2019	2019	2020	2019	2020	2020
	Audited	Unaudited				Unaudited
	NIS					Euro
	(In thousands)					
Revenues from hospitality services and others	5,342,389	1,489,504	676,569	4,005,232	1,638,720	407,054
Cost of revenues	2,909,106	790,876	404,314	2,197,855	1,088,273	270,325
	2,433,283	698,628	272,255	1,807,377	550,447	136,729
Selling and marketing expenses	145,773	41,129	18,405	113,765	60,107	14,930
General and administrative expenses	476,901	125,325	75,019	354,636	207,104	51,444
	1,810,609	532,174	178,831	1,338,976	283,236	70,355
Hotel variable lease expenses	115,273	49,920	966	91,477	2,763	686
Operating income before depreciation and amortization and other operating expenses	1,695,336	482,254	177,865	1,247,499	280,473	69,669
Depreciation and amortization	264,207	68,378	75,010	199,284	216,188	53,701
Depreciation of revaluation of step-up	45,604	11,329	10,625	31,277	33,641	8,356
Depreciation on right-of-use assets	584,363	152,005	160,721	428,382	468,769	116,441
Other operating expenses, net	(36,313)	(8,335)	(20,773)	(16,775)	(66,111)	(16,422)
Operating income (loss)	764,849	242,207	(89,264)	571,781	(504,236)	(125,251)
Finance income	5,940	646	13	2,947	626	154
Finance expenses	(106,395)	(20,602)	(47,282)	(79,172)	(139,300)	(34,602)
Finance expenses on liabilities from leases of right-of-use assets	(617,942)	(158,672)	(159,700)	(451,262)	(477,715)	(118,663)
Group's share of earnings (losses) of companies and partnerships accounted for at equity	10,944	10,860	(6,989)	12,371	(27,674)	(6,874)
Income (loss) before taxes on income	57,396	74,439	(303,222)	56,665	(1,148,299)	(285,236)
Tax benefit (taxes on income)	(16,554)	(8,153)	31,720	(15,424)	209,936	52,148
Net income (loss)	40,842	66,286	(271,502)	41,241	(938,363)	(233,088)
Attributable to:						
Shareholders of the Company	38,010	65,400	(270,183)	38,826	(935,752)	(232,439)
Non-controlling interests	2,832	886	(1,319)	2,415	(2,611)	(649)
	40,842	66,286	(271,502)	41,241	(938,363)	(233,088)
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):						
Basic earnings (loss) per share	2.60	4.48	(17.58)	2.66	(64.12)	(64.12)
Diluted earnings (loss) per share	2.59	4.47	(17.58)	2.65	(64.12)	(64.12)

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 September 30,		Nine months ended September 30,		Convenience translation (Note 1b) Nine months ended September 30,
	2019	2019	2020	2019	2020	2020
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
Net income (loss)	40,842	66,286	(271,502)	41,241	(938,363)	(233,088)
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	135,789	(17,375)	228,367	(81,561)	(20,260)
Group's share mainly due to the revaluation of properties in companies and partnerships accounted for at equity	93,336	43,108	25,006	79,849	9,385	2,331
Total amounts that will not be reclassified subsequently to profit or loss	367,028	178,897	7,631	308,216	(72,176)	(17,929)
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	(*) 82,948	(25,166)	(*) 127,859	2,874	714
Foreign currency translation adjustments	(288,429)	(182,204)	92,585	(337,759)	77,560	19,267
Total amounts that will be reclassified subsequently to profit or loss	(181,867)	(99,256)	67,419	(209,900)	80,434	19,981
Total other comprehensive income	185,161	79,641	75,050	98,316	8,258	2,052
Total comprehensive income (loss)	226,003	145,927	(196,452)	139,557	(930,105)	(231,036)
Attributable to:						
Shareholders holders of the Company	(*) 213,757	135,940	(199,303)	131,085	(923,842)	(229,480)
Non-controlling interests	12,246	9,987	2,851	8,472	(6,263)	(1,556)
	226,003	145,927	(196,452)	139,557	(930,105)	(231,036)

(*) 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 July 1, 2019	635,177	4,110	(*) 1,257,360	(171,303)	(8,308)	1,056,423	2,773,459	128,607	2,902,066
Net income	-	-	65,400	-	-	-	65,400	886	66,286
Comprehensive income (loss)	-	-	-	(185,491)	(*) 82,948	173,083	70,540	9,101	79,641
Total comprehensive income (loss)	-	-	65,400	(185,491)	82,948	173,083	135,940	9,987	145,927
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(233)	(233)
Vesting option to employees	-	753	-	-	-	-	753	-	753
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	10,509	-	-	(10,509)	-	-	-
Balance as of September 30, 2019	635,177	4,863	1,333,269	(356,794)	74,640	1,218,997	2,910,152	138,361	3,048,513

(*) 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	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance as of July 1, 2020	635,177	6,971	702,253	(317,194)	-	81,383	1,161,803	2,270,393	131,710	2,402,103
Net loss	-	-	(270,183)	-	-	-	-	(270,183)	(1,319)	(271,502)
Comprehensive income (loss)	-	-	-	95,026	-	(25,166)	1,020	70,880	4,170	75,050
Total comprehensive income (loss)	-	-	(270,183)	95,026	-	(25,166)	1,020	(199,303)	2,851	(196,452)
Rights issue	98,720	-	-	-	-	-	-	98,720	-	98,720
Acquisition of non-controlling interests	-	-	-	-	7,674	-	-	7,674	(46,700)	(39,026)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,941)	(3,941)
Vesting option to employees	-	731	-	-	-	-	-	731	-	731
Transfer from revaluation in respect of sale, net	-	-	82,771	-	-	-	(82,771)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	10,243	-	-	-	(10,243)	-	-	-
Balance as of September 30, 2020	733,897	7,702	525,084	(222,168)	7,674	56,217	1,069,809	2,178,215	83,920	2,262,135

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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 (*)	-	-	(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	-	-	38,826	-	-	-	38,826	2,415	41,241
Comprehensive income (loss)	-	-	-	(344,022)	(*) 127,859	308,422	92,259	6,057	98,316
Total comprehensive income (loss)	-	-	38,826	(344,022)	127,859	308,422	131,085	8,472	139,557
Dividend declared to shareholders of the Company	-	-	(60,000)	-	-	-	(60,000)	-	(60,000)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	(461)	(461)
Vesting option to employees	-	2,106	-	-	-	-	2,106	-	2,106
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	29,424	-	-	(29,424)	-	-	-
Balance as of September 30, 2019 (audited)	635,177	4,863	1,333,269	(356,794)	74,640	1,218,997	2,910,152	138,361	3,048,513

(*) 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	Reserve from transactions with non-controlling interests	Hedge transactions reserve	Revaluation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance as of 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	-	-	(935,752)	-	-	-	-	(935,752)	(2,611)	(938,363)
Comprehensive income (loss)	-	-	-	87,472	-	2,874	(78,436)	11,910	(3,652)	8,258
Total comprehensive income (loss)	-	-	(935,752)	87,472	-	2,874	(78,436)	(923,842)	(6,263)	(930,105)
Rights issue	98,720	-	-	-	-	-	-	98,720		98,720
Acquisition of non-controlling interests	-	-	-	-	7,674	-	-	7,674	(46,700)	(39,026)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,812)	(3,812)
Vesting option to employees	-	2,116	-	-	-	-	-	2,116	-	2,116
Transfer from revaluation in respect of sale, net	-	-	82,771	-	-	-	(82,771)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	32,188	-	-	-	(32,188)	-	-	-
Balance as of September 30, 2020	733,897	7,702	525,084	(222,168)	7,674	56,217	1,069,809	2,178,215	83,920	2,262,135

(*) 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**	**Reserve from transactions with non-controlling interests**	**Hedge transactions reserve**	**Revaluation reserve**	**Total**	**Non-controlling interests**	**Total equity**
	Unaudited									
	Euro in thousands									
Balance as of January 1, 2020 (audited)	157,776	1,388	334,314	(76,914)	-	13,249	313,777	743,590	34,949	778,539
Net loss	-	-	(232,439)	-	-	-	-	(232,439)	(649)	(233,088)
Comprehensive income (loss)	-	-	-	21,728	-	714	(19,483)	2,959	(907)	2,052
Total comprehensive income (loss)	-	-	(232,439)	21,728	-	714	(19,483)	(229,480)	(1,556)	(231,036)
Rights issue	24,522	-	-	-	-	-	-	24,522	-	24,522
Acquisition of non-controlling interests	-	-	-	-	1,906	-		1,906	(11,600)	(9,694)
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(947)	(947)
Vesting option to employees	-	526	-	-	-	-	-	526	-	526
Transfer from revaluation in respect of sale, net	-	-	20,560	-	-	-	(20,560)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	7,995	-	-	-	(7,995)	-	-	-
Balance as of September 30, 2020	182,298	1,914	130,430	(55,186)	1,906	13,963	265,739	541,064	20,846	561,910

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 September 30, 2019	Three months ended September 30, 2020	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Convenience translation (Note 1b) Nine months ended September 30, 2020
	Audited	Unaudited				Unaudited
	N I S					Euro
	(In thousands)					
Cash flows from operating activities:						
Net income (loss)	40,842	66,286	(271,502)	41,241	(938,363)	(233,088)
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	231,712	246,356	658,943	718,598	178,498
Finance expenses, net	728,225	178,159	198,142	534,579	598,187	148,589
Group's share of losses (earnings) of companies and partnerships accounted for at equity	(10,944)	(10,860)	6,989	(12,371)	27,674	6,874
Change in liabilities for time-sharing rights, net	(1,024)	(275)	(196)	(767)	(529)	(131)
Change in employee benefit liabilities, net	1,093	2,385	(121)	3,877	404	100
Loss from impairment of investments	7,466	872	34,596	3,943	119,566	29,700
Taxes on income (tax benefit)	16,554	8,153	(31,720)	15,424	(209,936)	(52,148)
Share-based payment expense	2,829	753	731	2,106	2,116	526
Other income from rent concession received	-	-	(13,351)	-	(56,023)	(13,916)
Loss (gain) from a change in the value of securities held for trading	(9,640)	(2,250)	(82)	(7,944)	13,925	3,459
	1,628,733	408,649	441,344	1,197,790	1,213,982	301,551
Changes in asset and liability items:						
Decrease (increase) in trade receivables	(15,378)	(1,350)	(63,861)	(120,835)	162,429	40,347
Decrease (increase) in other accounts receivable	116,434	(18,292)	56,454	83,036	57,643	14,318
Decrease (increase) in inventories	(815)	5	478	(2,493)	3,436	853
Decrease (increase) in long-term receivables	(58,446)	(10,310)	14,410	(43,576)	140,132	34,808
Increase (decrease) in trade payables	8,863	(49,263)	36,548	71,543	19,065	4,736
Increase (decrease) in other accounts payable	28,020	79,686	103,856	69,929	(86,694)	(21,535)
Increase (decrease) in other non-current liabilities	74,138	(10,417)	6,162	(1,880)	41,630	10,341
	152,816	(9,941)	154,047	55,724	337,641	83,868
Cash paid during the period for:						
Taxes received	28,896	-	175	28,896	60,365	14,995
Taxes paid	(150,010)	(63,916)	(7,074)	(110,096)	(39,511)	(9,814)
Interest paid for leases of right-of-use assets	(619,207)	(158,604)	(155,382)	(449,676)	(453,778)	(112,717)
Other interest paid, net	(109,296)	(20,772)	(51,564)	(78,102)	(114,702)	(28,492)
	(849,617)	(243,292)	(213,845)	(608,978)	(547,626)	(136,028)
Net cash provided by operating activities	972,774	221,702	110,044	685,777	65,634	16,303

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 September 30, 2019	Three months ended September 30, 2020	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Convenience translation (Note 1b) Nine months ended September 30, 2020
	Audited	Unaudited				Unaudited
	N I S (In thousands)					Euro
Cash flows from investing activities:						
Purchase of property, plant and equipment, net	(787,459)	(138,331)	(63,349)	(643,173)	(329,294)	(81,796)
Sale of property, plant and equipment, net	-	-	231,081	-	231,081	57,400
Advance of investment in property, plant and equipment	(14,562)	(21,464)	(3,056)	(21,464)	(3,056)	(759)
Purchase of companies consolidated for the first time (Appendix A)	(83,449)	-	-	(83,449)	(251,404)	(62,448)
Exit from consolidation (Appendix B)	-	-	-	-	20,223	5,023
Sale and purchase of securities held for trading, net	(12,256)	(48,270)	(16,636)	30,092	229,065	56,899
Loans and investment in companies and partnerships accounted for at equity	(176,478)	(31,957)	(26,453)	(126,171)	(79,160)	(19,663)
Advance on Fixed Assets	-	-	-	-	(50,000)	(12,420)
Other assets, net	(1,501)	-	-	(1,501)	-	-
Acquisition of non-controlling interests	-	-	(39,026)	-	(39,026)	(9,694)
Withdrawal of designated deposit	65,770	-	(111,963)	66,431	(111,963)	(27,811)
Investment in various companies	(27,047)	(1,724)	(1,238)	(21,438)	(3,097)	(769)
Net cash used in investing activities	(1,036,982)	(241,746)	(30,640)	(800,673)	(386,631)	(96,038)
Cash flows from financing activities:						
Dividend paid	(110,039)	-	-	(110,039)	-	-
Short-term credit from banking corporations, net	(29,857)	(42,992)	1,921	(40,003)	11,264	2,798
Repayment of long-term loans from banking corporations and others	(284,211)	(81,768)	(128,787)	(207,173)	(353,290)	(87,756)
Repayment of debentures	(191,732)	(52,985)	(66,320)	(181,258)	(104,935)	(26,066)
Repayment of liabilities from leases of right-of-use assets	(439,491)	(58,236)	(57,774)	(333,832)	(132,496)	(32,912)
Receipt of long-term loans from banking corporations and others	650,935	127,307	76,068	571,942	448,119	111,312
Rights issue, net	-	-	98,720	-	98,720	24,522
Issue of debentures, net	708,071	-	245,946	481,365	446,573	110,928
Net cash provided by financing activities	303,676	(108,674)	169,774	181,002	413,955	102,826
Translation differences in respect of balances of cash and cash equivalents	(40,809)	(28,351)	15,196	(47,304)	13,895	3,451
Increase (decrease) in cash and cash equivalents	198,659	(157,069)	264,374	18,802	106,853	26,542
Cash included in assets held for sale	(273)	(582)	(65)	(643)	(440)	(109)
Cash and cash equivalents at beginning of period	661,260	837,070	701,750	661,260	859,646	213,534
Cash and cash equivalents at end of period	859,646	679,419	966,059	679,419	966,059	239,967
Significant non-cash activities:						
Receipt of waiver of lease payments	-	-	8,645	-	33,092	8,220
Recognition of the right-of-use assets against lease liabilities	3,864,568	-	249,266	3,747,478	394,748	98,055

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 September 30, 2019	Three months ended September 30, 2020	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Convenience translation (Note 1b) Nine months ended September 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	-	-	19,948	(1,798)	(447)
Non-current assets	(34,626)	-	-	(34,626)	3,781	940
Deferred taxes	411	-	-	411	-	-
Property, plant and equipment	(103,394)	-	-	(103,394)	(311,822)	(77,456)
Goodwill created on acquisition (including brand)	2,102	-	-	2,102	-	-
Current liabilities	-	-	-	-	1,518	377
Non-current liabilities	32,110	-	-	32,110	56,917	14,138
	(83,449)	-	-	(83,449)	(251,404)	(62,448)
(b) Exit from consolidation:						
Non-current assets	-	-	-	-	20,223	5,023
	-	-	-	-	20,223	5,023

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 September 30, 2020 and for the nine 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 September 30, 2020 and for the nine months then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 4.0258) 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 on movement and gatherings in Israel and Europe, 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 closed most of the hotels it operated in both Israel and Europe at the end of March 2020, and began to gradually open the aforesaid hotels starting in June 2020. In mid-September 2020, a second lockdown was imposed in Israel and later additional restrictions were imposed throughout Europe as well. As of the date of signing the report, about 53 of the Group's 185 hotels operating in Israel and Europe are closed due to restrictions on movement and gatherings and / or closure orders for hotels imposed by governments in Europe and Israel due to the outbreak of the second wave of Corona, with a low occupancy rate in the hotels remaining open. The Company has taken and is continuing to take, 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 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. On September 29, 2020, Mr. Fattal announced that he is extending the waiver period until December 31, 2020.

NOTE 1:- GENERAL (Cont.)

The actual payment of the reduced management fees will be made only after the end of the waiver period. It should also be emphasized that at this stage all the employees returning to work (including the sons of a controlling shareholder who returned to work on July 1, 2020) are employed under the tiered wage reduction policy.

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. As of June 2020, the Company began to gradually open the aforesaid hotels, about 4,500 of the Company's employees in Israel were re-hired and in Europe the number of work hours was increased for some of those employees whose jobs were reduced as stated. In mid-September 2020, following a second lockdown imposed in Israel and the imposition of additional restrictions throughout Europe, the Company again put employees on unpaid leave and the number of work hours was reduced again. It should be noted that in parallel with the opening of hotels, employees are re-hired proportionately under reduced work hours.

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. In this context, it should be noted that up to September 30, 2020, the Company and its subsidiaries received government participation in Europe and Israel in the amount of approximately NIS 148 million, which was included as a reduction in the cost of revenues in the profit or loss statement.

NOTE 1:- GENERAL (Cont.)

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 102 million and reduction and waiver of rental fees in the total amount of about NIS 89 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 fourth quarter of 2020 and for the first quarter of 2021.

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 details regarding the sale of the LEONARDO ROYAL BERLIN ALEXANDERPLATZ hotel in August 2020, as well as the negotiations for the sale of additional hotels, see Notes 4f and 4g.

9. Refinancing - Examining the possibilities of refinancing for mortgaged properties with a relatively low LTV as well as the rescheduling of part of the Company's bank credit. In this regard, it should be noted that the banks in Israel and in some European countries, which provided financing to the Company, have deferred principal payments in the total amount of NIS 180 million for a period of three quarter. For details on the issuing of debentures in August 2020 in an investee company, see Note 4d, and on the issuing of debentures by the Company after the date of the report, see Note 4o.

10. In some of the countries, the government has announced state-guaranteed loans in significant amounts. In this regard, it should be noted that a state-guaranteed loan was approved for a subsidiary in Germany in the amount of approximately EUR 60 million, after the reporting period a total of approximately EUR 35 million was drawn down and the balance is expected to continue until the end of the year. In addition, as of the date of signing the financial statements, banks in Israel provided the Company with state-guaranteed loans in the total amount of approximately NIS 133 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 4j.

NOTE 1:- GENERAL (Cont.)

12. Private placement - In October 2020, the Company completed a private placement of 241,000 ordinary shares, all without a nominal value, of the Company for a total consideration of approximately NIS 50 million. For further details, see Note 4n.

The Company estimates that the performance of the operations as described in paragraphs 1 to 7 above (as well as additional actions that the Company may take later that are not listed above, all of which depending on circumstances and developments) may lead to a significant decrease in the Group's current expense flow in the coming months, in order to adjust them, as far as possible, to the highly material reduction expected in its revenues in the fourth quarter of 2020 and in the first quarter of 2021, and the taking of the actions as described in paragraphs 8-12 above, insofar as these have not yet been carried out and / or completed by the date of the report, may result in additional financial resources for the Company, totaling an estimated sum of about NIS 1.5 billion (as detailed above and below).

In the opinion of Management and the Board of Directors, these actions some of which have already been completed, together with cash in the amount of NIS 1.5 billion, 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, about 132 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, 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:

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 September 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 September 2020, the Company recognized other income totaling approximately NIS 56,023 and NIS 13,351 thousand for the nine months and three months ended September 30, 2020.

c. Non-material adjustment of comparative figures:

As of December 31, 2019, the subsidiary has recorded a deferred tax liability in the amount of approximately EUR 4 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 recording it 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 Company 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 the balance of deferred taxes decreased and the translation differences reserve increased by about EUR 4 million.

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	144	100%	€ 66 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
Berlin, Germany (f)	July 2020	Leased	346	100%	€ 3 million	Date of completion. Rent payment as of January 2022.

*) Management agreement

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

1. In January 2020, an investee company purchased for EUR 42 million the shares of a company which owned a plot on which a building protected for conservation had been constructed, and for which the investee company submitted an application for a construction permit for the construction of a 144-room hotel. The Company intends to build (while maintaining the conservation status of the building) on the plot a 4-star deluxe or 5-star hotel. The Company estimates that the construction costs will amount to about EUR 24 million, so that the total cost of the hotel will amount to about EUR 66 million.

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).

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

d. 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. As of the date of the report, all the conditions were met for the transfer of the consideration to Fattal Properties (Europe) in relation to the pledged properties in the Netherlands and Portugal, and therefore part of the net issue proceeds in the amount of approximately EUR 33 million was transferred to Fattal Properties (Europe). The balance of the amount, less a total of approximately EUR 4 million, was transferred to Fattal Properties (Europe) by the date of signing the report after the completion of the registration of the remaining liens.

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.

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

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.

e. After the balance sheet date, following the reduction in the rating of the bonds (Series A, B, C and D) of Fattal Properties (Europe) due to the outbreak of the corona virus, from a rating of A2.IL rating, in an examination with negative consequences, to a rating of A3.IL rating while determining a negative outlook for the rating, and the interest rate was updated of Series A, B and C bonds (0.5% increase in annual interest) and Series D bonds (0.25% increase in annual interest).

f. In July 2020, the Group signed the sale of the Leonardo Royal Berlin Alexanderplatz hotel. The sale transaction was made by way of sale and lease-back of the property. In August 2020, the transaction was completed and the buyer paid the Group a total of EUR 57.4 million, while at the same time the bank loan was repaid for the property that remained at the time of the transaction, amounting to approximately EUR 23.3 million. The cash that resulted for the Group from the transaction after the repayment of the aforesaid credit and the payment of taxes as a result of the transaction is approximately EUR 17.3 million.

g. The Group is negotiating the sale of two more properties, Munich (Germany) and The Hague (Netherlands).
The above two properties and liabilities to banking corporations in respect of them are presented in the balance sheet under assets and liabilities held for sale, respectively.

h. 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%.

i. 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. On October 15, 2020, Midroog announced a reduction of the rating of the Company and the Company's bonds (Series B and C) from A3.il to BAA1.IL while determining a negative outlook for the rating of the Company and the bonds series.

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

j. 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.

k. 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 4j 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. For details regarding the completion of the said issuance, see Note 4n.

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.)

l. The loan documents from banking corporations in Israel determine liabilities that include, among others, to meet financial covenants in the Company's consolidated financial statements including the ratio of debt to EBITDA. As of the date of signing this report, those banking corporations have agreed that the condition regarding EBITDA will not be reviewed until and including the March 2021 reports.

m. 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 September 30, 2020, in line with the updates to the value received from the valuation assessors and accordingly recorded a total impairment of NIS 202 million, of which approximately NIS 103 million (before tax effect) was recorded in the revaluation reserve and approximately NIS 99 million was recorded in other expenses in the profit and loss account. In addition, the Company's share in the impairment of investee companies reported according to the equity method is in the amount of about NIS 55 million. In addition, the Company recognized during the report period an amount of NIS 20 million in respect of amounts provided to a third party for investment in hotels. The aforesaid provision was included under other expenses in the profit or loss statement.

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

n. In October 2020, the Company completed a private placement of 241,000 ordinary shares all without a nominal value, of the Company for a total consideration of approximately NIS 50 million. Further to what is stated in section i regarding the reduction of the rating and in accordance with the obligation specified in section k(9) above.

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

o. In November 2020, the Company issued to the public NIS 300,000 thousand par value of Debentures (Series 1) of NIS 1 par value each of the Company, listed for trading, for a gross monetary consideration of NIS 315,600 thousand (before deducting issuance costs In the amount of approximately NIS 1,994 thousand). Each of the Debentures can be converted in the manner specified below: (1) In the period from the date of listing of the debentures series for trading on the Stock Exchange until May 5, 2023, each NIS 305 par value of the debentures are convertible into one ordinary share of the Company with no par value; (2) In the period from May 16, 2023 to May 5, 2028, each NIS 430 par value of the debentures can be converted into one ordinary share of the Company with no par value. The Debentures are not linked and bear a fixed interest rate of 4%. The above series Is repayable on May 15 of each of the years 2023 to 2028 (inclusive) and on November 15 of each of the years 2023 to 2027 (inclusive) from May 15, 2023 to May 15, 2028, in such a way that each of the first four payments will constitute 6% of the total nominal value of the debentures, each of the fifth and sixth payments shall constitute 8% of the total nominal value of the debentures, each of the seventh, eighth, ninth and tenth payments shall constitute 9% of the total nominal value of the debentures and the final payment shall be 24% of the total nominal value of the debentures. As part of the offering, the Company undertook to meet financial covenants, the main ones of which are as follows:

1. The Company's equity will not be less than NIS 1,400 million.
2. The ratio of adjusted net financial debt to net CAP shall not exceed a rate of 76%.

p. During the report period, a lawsuit was filed against the Group, which was accompanied by a petition for approval as a class action, the matter of which is related to operational issues. As of the date of approval of the financial statements, the Group is examining the said claim through its legal counsel.

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		September 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	1,625,687	1,729,109
Fixed interest loans (Level 3 of the fair value hierarchy)	1,346,330	1,385,703	1,323,804	1,338,382
Total	3,188,800	3,337,697	2,949,491	3,067,491

	September 30, 2020		Convenience translation (Note 1b) September 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)	2,185,354	1,956,051	542,838	485,879
Fixed interest loans (Level 3 of the fair value hierarchy)	1,744,521	1,720,073	433,335	427,262
Total	3,929,875	3,676,124	976,173	913,141

It should be noted that, as at September 30, 2020, the Company had a consolidated working capital deficit (including relating to assets and liabilities held for sale) of about NIS 181 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 1.5 billion.
- Financing assets that were not financed.
- 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 September 30, 2019 (unaudited)								
Segment revenues	502,563	480,377	464,246	72,496	(30,178)	1,489,504	-	1,489,504
Operating income before depreciation and amortization, other operating expenses and rental expenses	139,593	185,454	184,829	33,378	(11,080)	532,174	-	532,174
Operating income before depreciation and amortization and other operating expenses	108,473	108,277	63,987	21,908	(31,846)	270,799	211,455	482,254
Depreciation and amortization	(21,375)	(43,868)	(23,227)	(2,449)	11,212	(79,707)	(152,005)	(231,712)
Finance expenses, net								(178,628)
Other operating expenses, net								(8,335)
Group's share of losses of associate companies and partnerships accounted for at equity								10,860
Income before tax benefit								74,439
Taxes on income								(8,153)
Net Income								66,286

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 September 30, 2020 (unaudited)								
Segment revenues	332,549	198,686	131,298	27,685	(13,649)	676,569	-	676,569
Operating income (loss) before depreciation and amortization, other operating expenses and rental expenses	132,228	37,480	(667)	12,594	(2,804)	178,831	-	178,831
Operating income (loss) before depreciation and amortization and other operating expenses	90,228	(31,683)	(130,278)	7,432	(9,257)	(73,558)	251,423	177,865
Depreciation and amortization	(22,444)	(45,030)	(26,154)	(4,245)	12,238	(85,635)	(160,721)	(246,356)
Finance expenses, net								(20,773)
Other operating income, net								(206,969)
Group's share of losses of associate companies and partnerships accounted for at equity								(6,989)
Loss before tax benefit								(303,222)
Tax benefit								31,720
Loss for the period								(271,502)

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							
Nine months ended September 30, 2019 (unaudited)								
Segment revenues	1,304,976	1,409,987	1,257,759	110,606	(78,096)	4,005,232	-	4,005,232
Operating income before depreciation and amortization, other operating expenses and rental expenses	339,747	528,247	454,568	39,373	(22,959)	1,338,976	-	1,338,976
Operating income before depreciation and amortization and other operating expenses	244,135	291,716	100,165	21,686	(71,684)	586,018	661,481	1,247,499
Depreciation and amortization	(63,195)	(121,883)	(70,872)	(8,095)	33,484	(230,561)	(428,382)	(658,943)
Finance expenses, net								(16,775)
Other operating expenses, net								(527,487)
Group's share of earnings of associate companies and partnerships accounted for at equity								12,371
Income before taxes on income								56,665
Taxes on income								(15,424)
Net Income								41,241

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
	NIS (In thousands)								Euro
Nine months ended September 30, 2020 (unaudited)									
Segment revenues	636,793	567,868	418,811	45,922	(30,674)	1,638,720	-	1,638,720	407,054
Operating income before depreciation and amortization, other operating expenses and rental expenses	158,293	83,322	28,155	11,759	1,707	283,236	-	283,236	70,355
Operating income (loss) before depreciation and amortization and other operating expenses	71,577	(117,614)	(275,223)	(6,193)	(23,969)	(351,422)	631,895	280,473	69,669
Depreciation and amortization	(66,732)	(132,194)	(74,578)	(12,392)	36,067	(249,829)	(468,769)	(718,598)	(178,498)
Other operating expenses, net								(66,111)	(16,422)
Finance expenses, net								(616,389)	(153,111)
Group's share of losses of associate companies and partnerships accounted for at equity								(27,674)	(6,874)
Loss before taxes on income								(1,148,299)	(285,236)
Tax benefit								209,936	52,148
Loss for the period								(938,363)	(233,088)

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