HOUSE OF HOTELS | בית של מלונות

Capital Market Presentation, November 2020

Disclaimer

This presentation is not the Company's offer of securities to the public and should not be interpreted as an offer of securities to the public. The presentation constitutes the Company's principal and marketing presentation. The information included in this presentation and any other information that shall be delivered during this presentation (hereinafter: "the Information") does not constitute a recommendation or an opinion of an investment consultant or a tax consultant. The Information is only condensed information. Investment in securities, in general, and in the Company, carries risk. You should take into account that past data does not necessarily indicate future performance. The purchase of the Company's securities requires an in-depth review of the information published by the Company and a legal, accounting, taxation and economic analysis thereof.

Data regarding: (i) distribution of hotels that are open by months; (ii) a summary of the number of hotels and hotel rooms according to ownership/ rent/ management, divided by sectors; (iii) occupancy rates in the chain (7-9/2019) which are shown in slides No. 4, 8 and 11 are provided in this presentation for the first time as additional information.

Fattal Group Business Card

Over 42,000
rooms

217
hotels

19
countries

NIS 1.5 billion
Cash balances at November 30, 2020

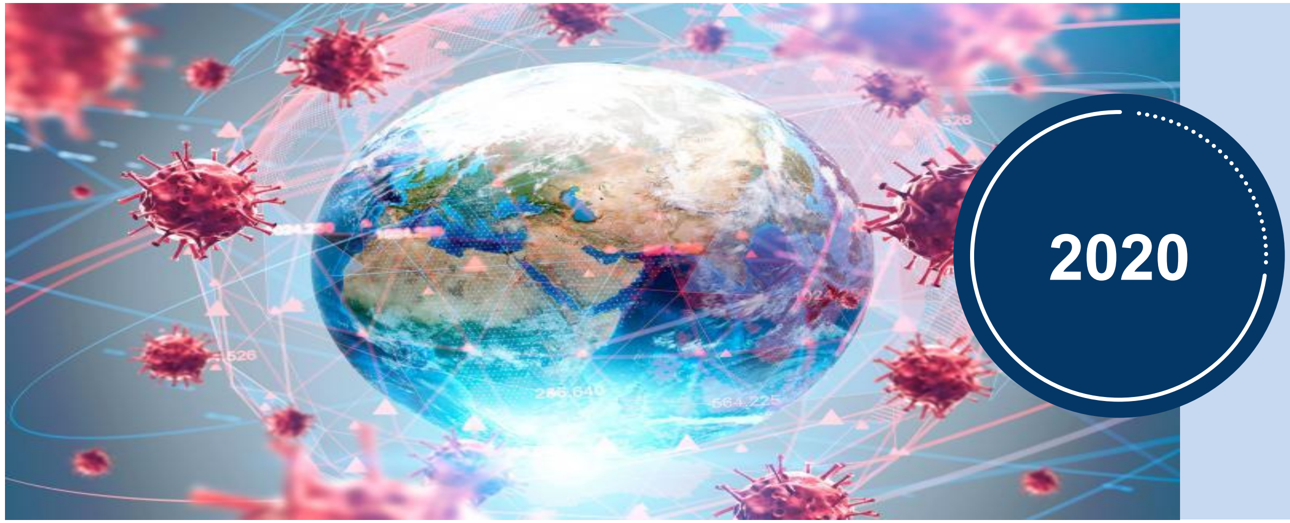
The Company was **established in 1998** by Mr. David Fattal

Israel's **largest and leading** hotel chain

Fast growth in Europe. More than **100** destinations across Europe

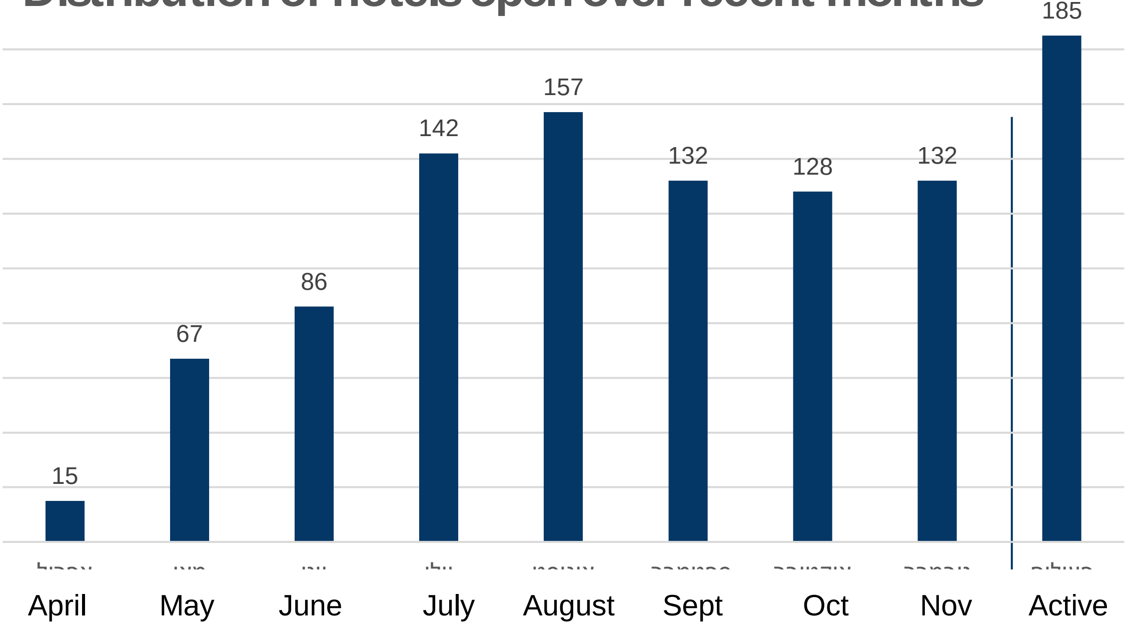
Including future hotels.

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

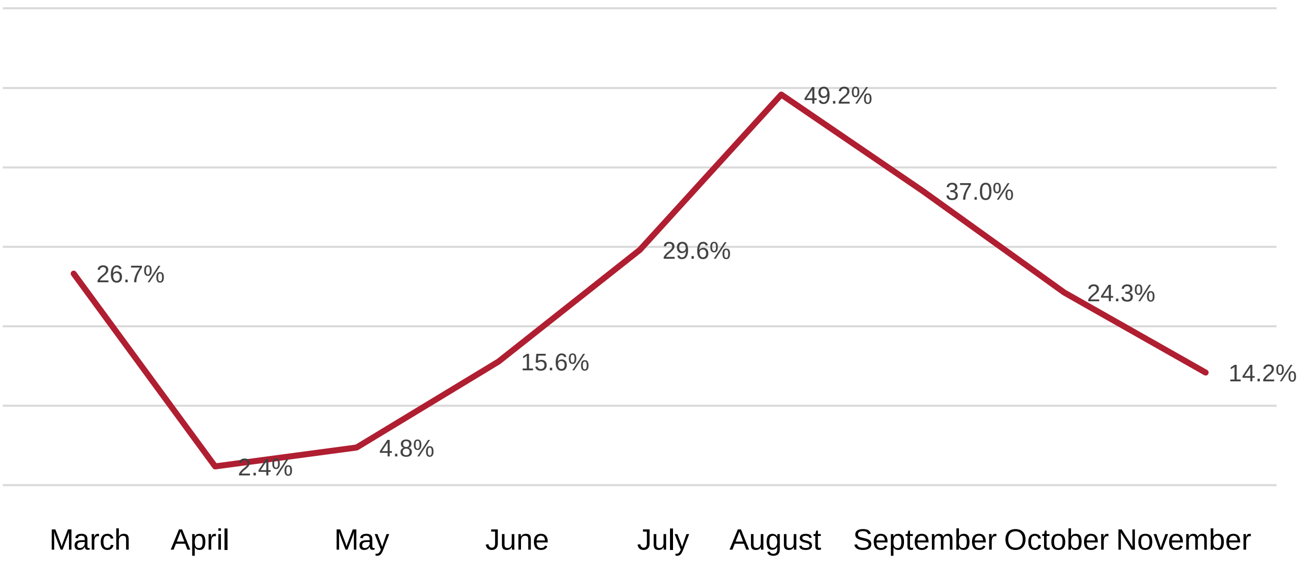


COVID 19 Pandemic

Distribution of hotels open over recent months



Distribution of chain occupancy rates by months



Main events
July - September

2020

Revenue: **about NIS 691 million** (decrease of 55%)

Average occupancy - **38%**

EBITDAR – **26.4%**

EBITDA – about NIS **178** million

Savings in Operating Expenses – **56%**

Second lockdown in Israel from mid-September

Rights issue in amount of **about NIS 99 million**

Issue of Debentures (Series D) (subsidiary company) in amount of **about NIS 250 million**

Sale of Leonardo Royal Hotel Berlin for net proceeds of about **NIS 17.3 million**

The Company's share appreciated by about 30%

The Corona pandemic – actions by the Company to reduce cash flow expenses to the expected material decrease in revenues:

The Company estimates that the performance of the following actions (insofar as these have not yet been performed and / or completed as of the date of signing the report) may result in additional financial resources estimated in approximately NIS 1.5 billion.
Management and the Board of Directors estimate that these operations, some of which have already been completed, together with cash and cash equivalents, in the amount of NIS 1.5 billion, which the Group have the date of signing this report, will enable the Company to meet all its obligations during the next 12 months at least, after the date of approval of these financial statements, in a way that will allow a gradual return activity routine without the need for additional steps.

Company is negotiating postponement or waiving payment of rents

The Company received a postponement (to future years) in connection with rent payment of **about NIS 102 million** and a waiver of rent payment – **about NIS 89 million.**

Management fees of controlling shareholder

David Fattal waived the 2019 bonus – about NIS 5.8 million.
In addition he waived management fees of the second quarter of 2020 and about 34% of his management fees of the third and fourth quarters of 2020.

Receipt of grants

The Company received government participation in refunding operating expenses mainly in Europe– **about NIS 148 million.**

Operational optimization

- Putting employees on unpaid leave during the lockdown period and rehiring concurrent with opening hotels.
- Salary reduction (between 20% -45%) and job reduction.
- Closing hotels during the lockdown period and reopening them according to demand. At the time of signing the report, about 132 hotels out of 185 active hotels reopened.
- Operating expenses: reduction of marketing expenses, discounts from suppliers.
- Stopping most investments and renovations.

The Corona pandemic – actions by the Company to adapt cash flow expenses to the expected material decrease in revenues:

Raising of equity

July 2020 - Raising equity by way of a rights issue of **about NIS 99 million (David Fattal's was about NIS 57 million).**

October 2020 – Completion of private placement of **about NIS 50 million**

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Financing – banking corporations and issuing bonds

Banks in Israel and some European countries deferred Q2, Q3, Q4 payments of loans principal totalling **about NIS 180 million.**
August 2020 – Issue of debentures (subsidiary) amounting to **about NIS 250 million.**
November 2020 – Issue of convertible bonds amounting to **about NIS 315 million.**

Receipt of government guaranteed loans in significant amounts

As of date of signing the financial statements, government backed loans approval was given:
Europe: **about EUR 67 million.**
Israel: **about NIS 133 million.**

Possibility of selling hotels in Europe

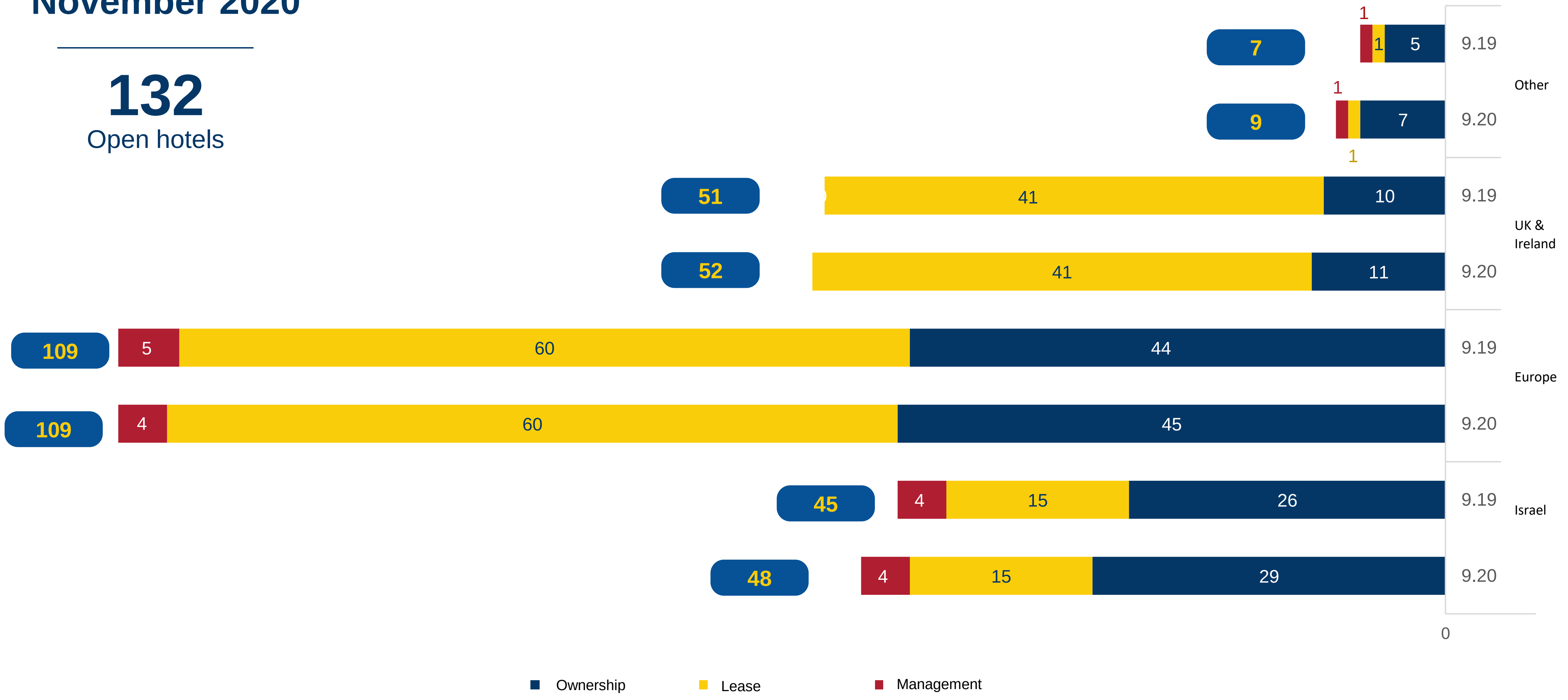
August 2020 - Sale of Leonardo Royal Berlin Alexanderplatz hotel (net cash flow for the Company about **EUR 17.3 million**).

The Company is in negotiations regarding two more hotels in Europe.

Number of Hotels[1] - Fattal Group

November 2020

132
Open hotels



1 As of September 30, 2020, including 9 future hotels in Israel (994 rooms), 16 future hotels in Europe (4,236 rooms), 4 future hotels in the United Kingdom (850 rooms) and 4 future hotels in Greece and Cyprus (707 rooms).

International Deployment[1] – 19 countries

217 hotels

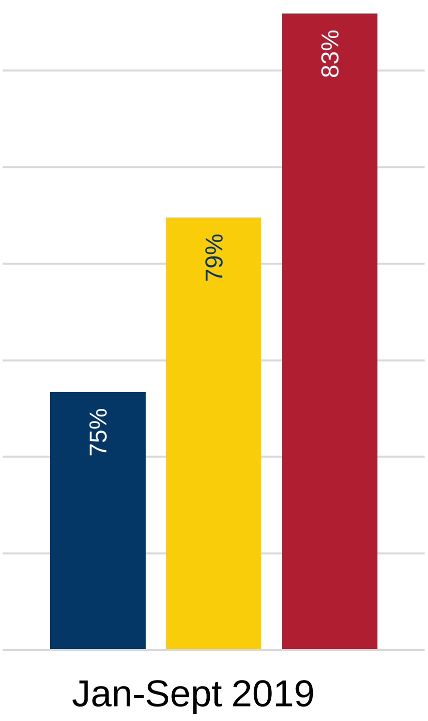
November 2020

132 Hotels open

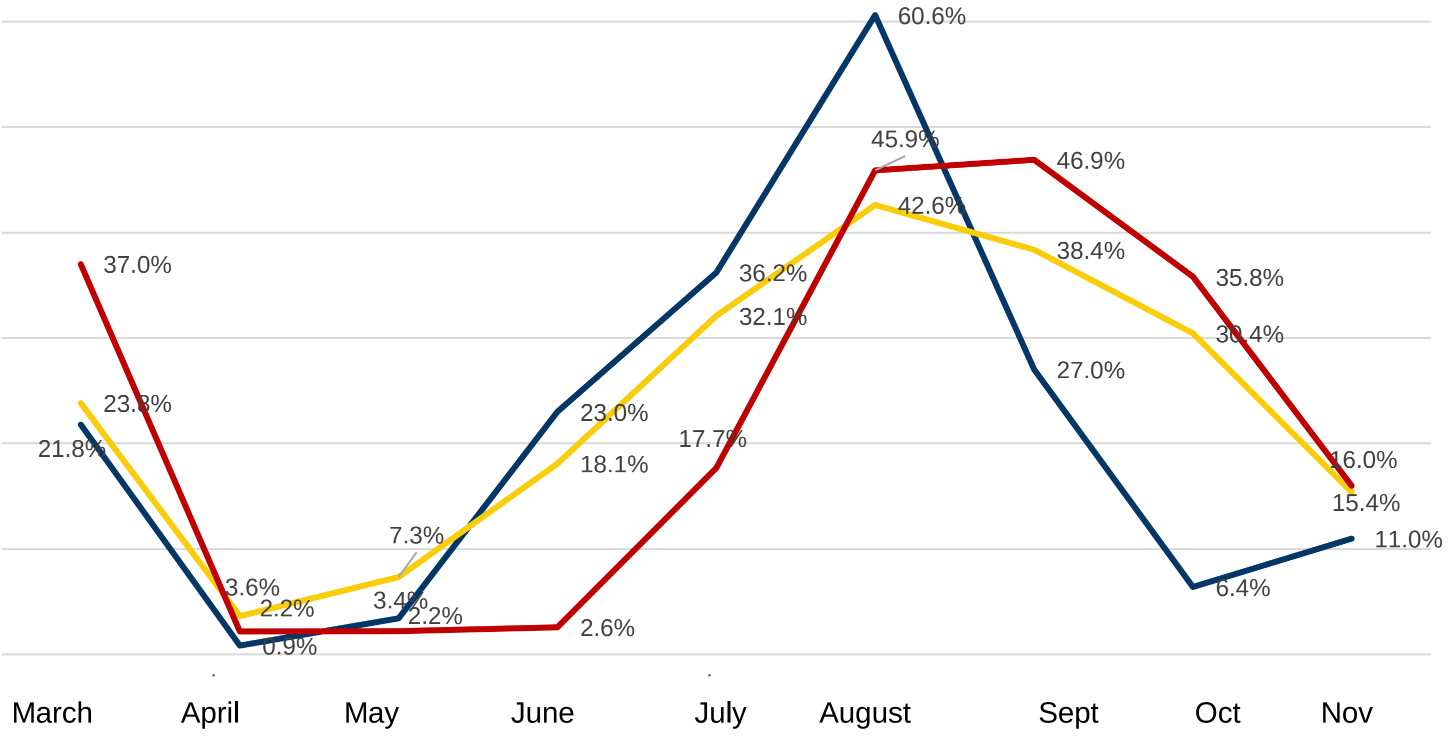
[1] Including future hotels.

Company Occupancy Data

Average Chain Occupancy Rates (Jan – Sept 2019)



Distribution of Occupancy Rates by Months in 2020



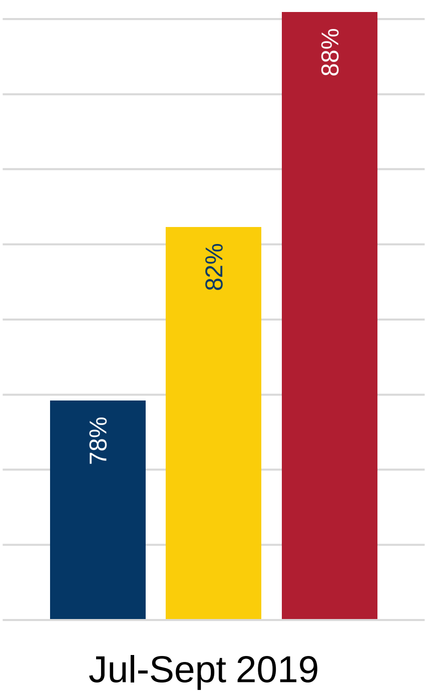
Israel

Europe

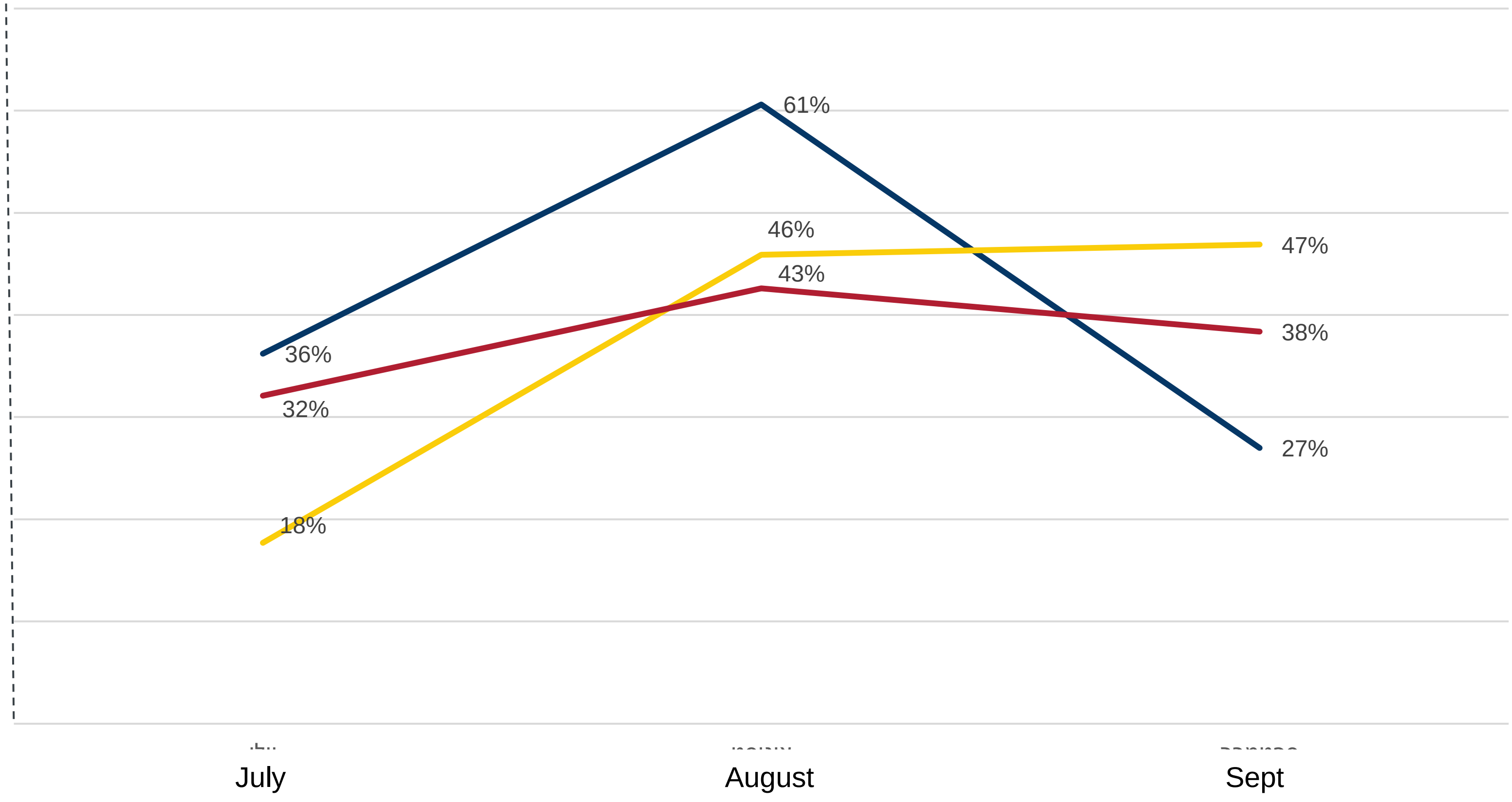
UK and Ireland

Company Occupancy Data

Average Chain Occupancy Rates (Jul – Sept 2019)



Distribution of Occupancy Rates 7-9/2020



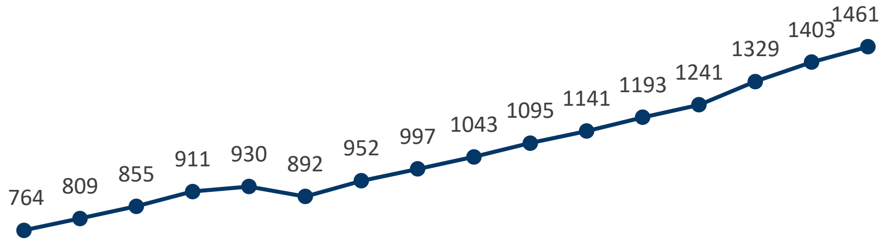
Israel

Europe

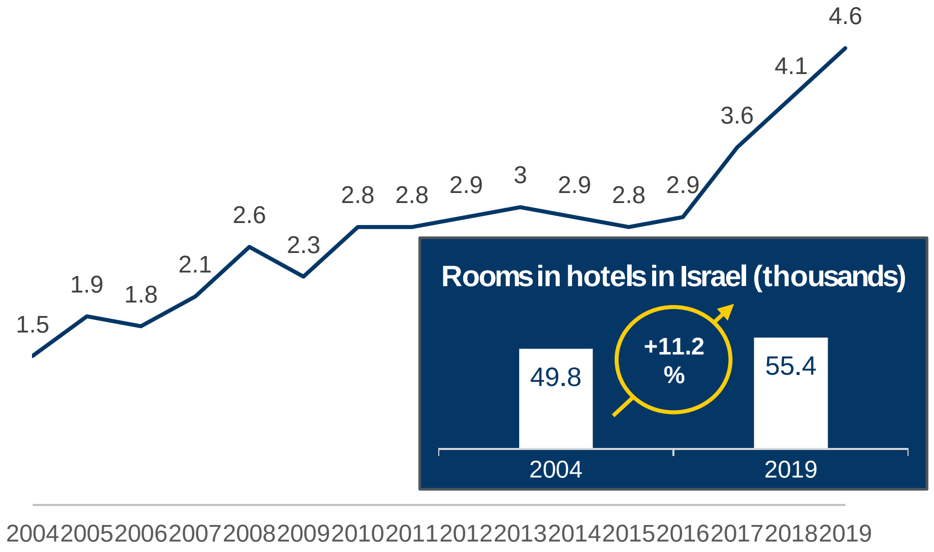
UK and Ireland

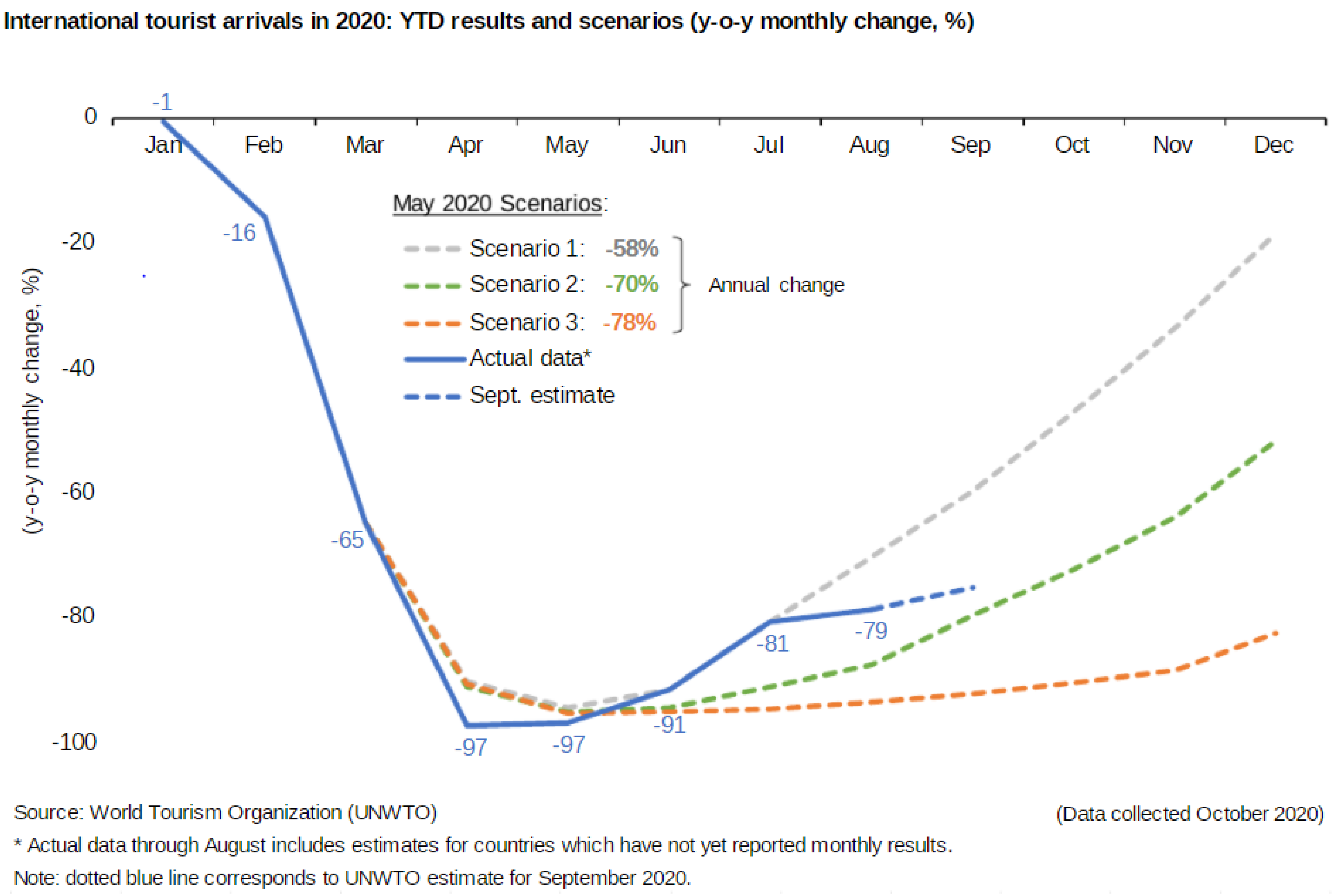
Forecasts and / or scenarios of UNWTO on the manner and duration of recovery of the global hotel industry from the Corona crisis [1]

No. of international tourist (millions)[1]



Tourist arrivals in Israel (millions)[2]

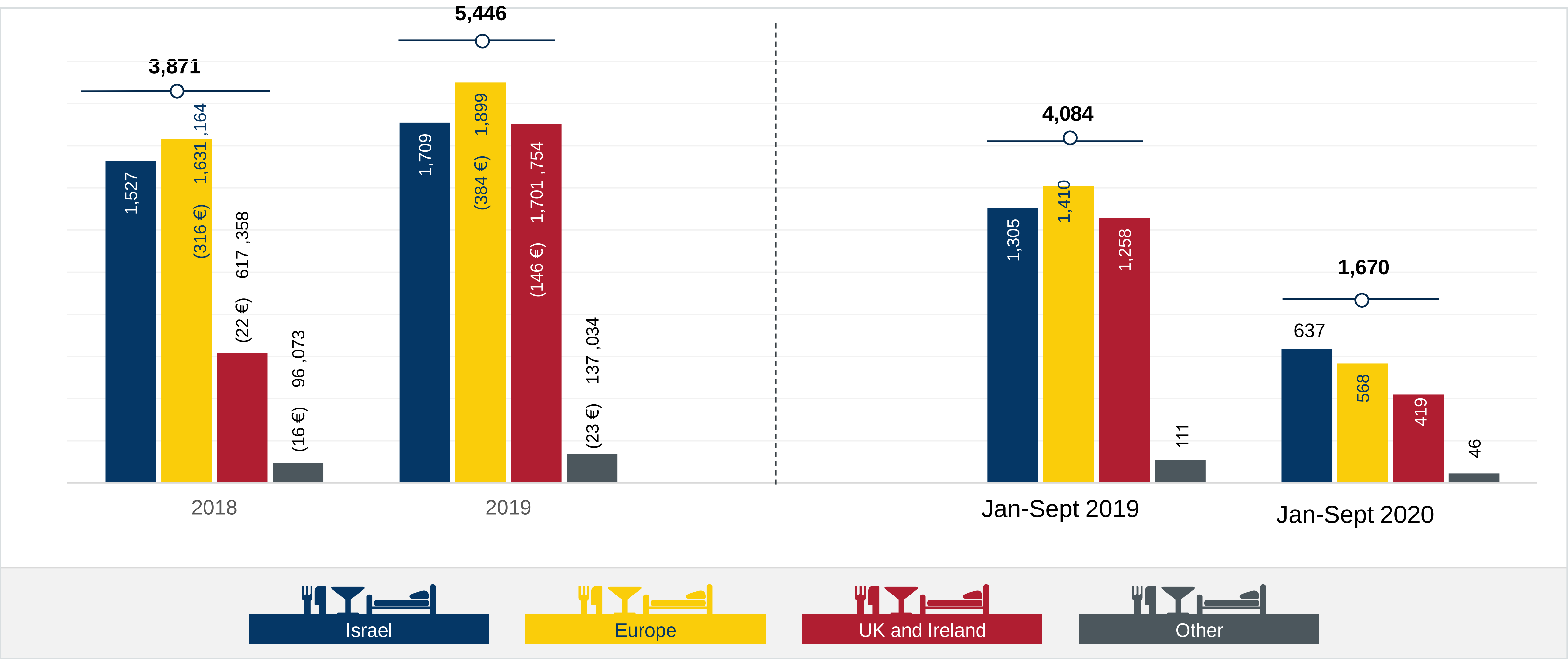




1 UNWTO is the United Nations World Tourism Organization. It should be noted that the Company did not contact the UNWTO who published the said information for receipt of its consent to the inclusion of the following information, which was publicly available information announced in October 2020.

Main Financial Data

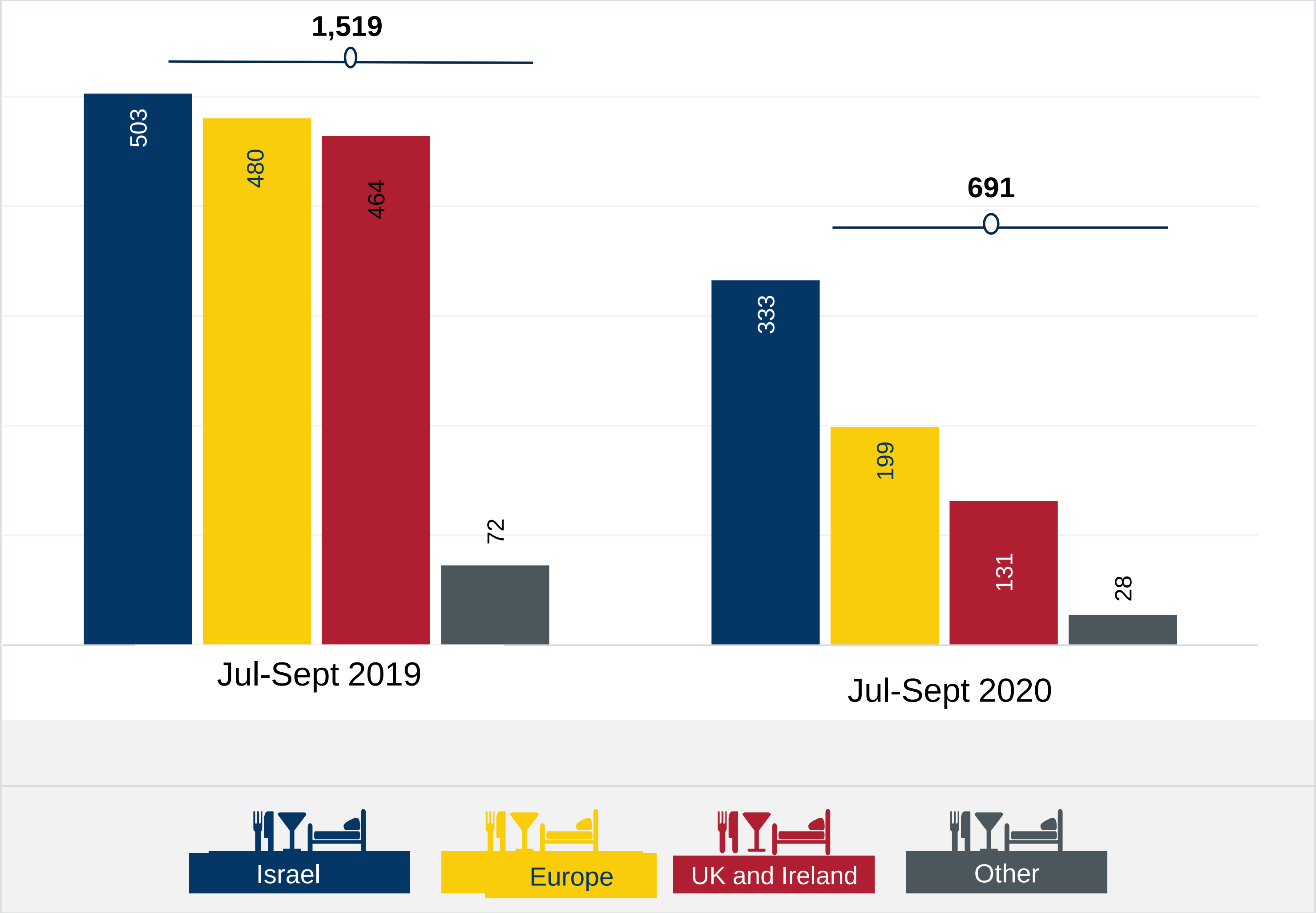
Fattal Chain Revenues (NIS millions) [1]



[1] Including the relative part of hotels under 50% ownership.

Main Financial Data (continued)

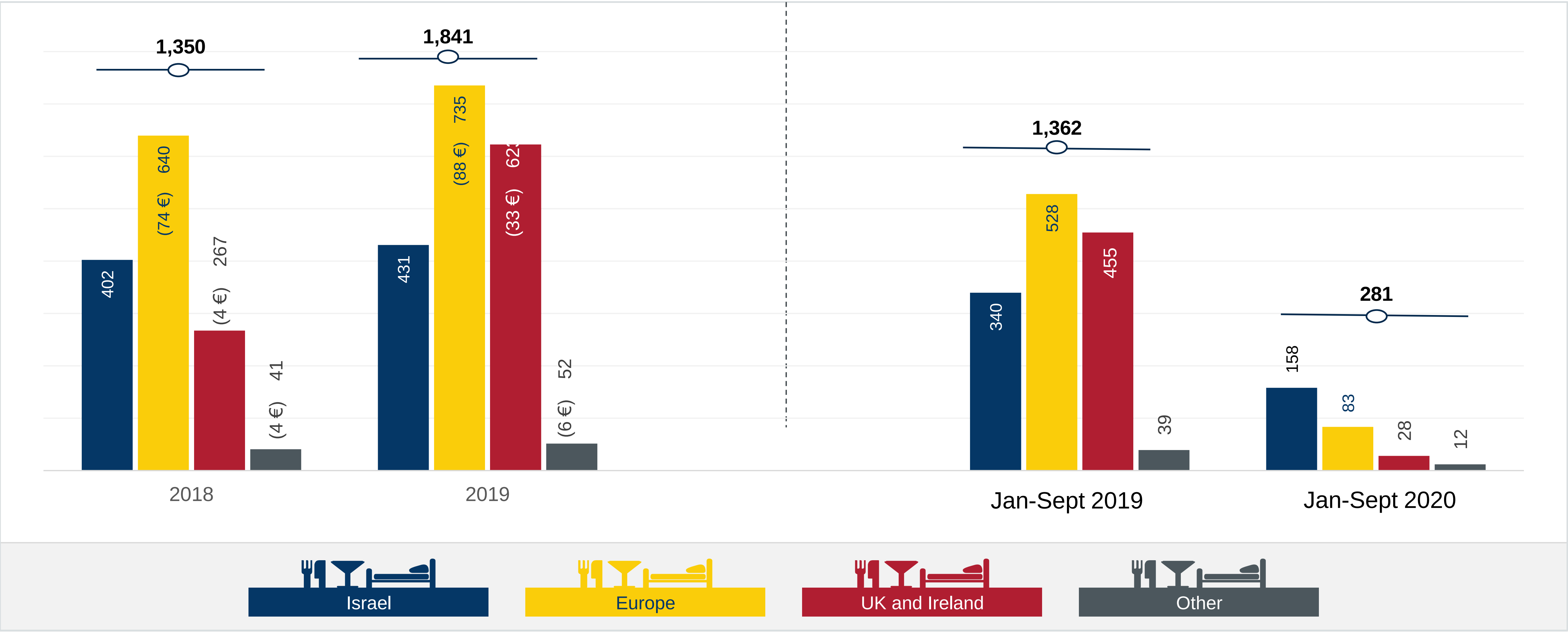
Fattal Chain Revenues[1] – Q3 (NIS millions)



[1] Including the relative part of hotels under 50% ownership.

Main Financial Data (continued)

EBITDAR (NIS millions) [1]

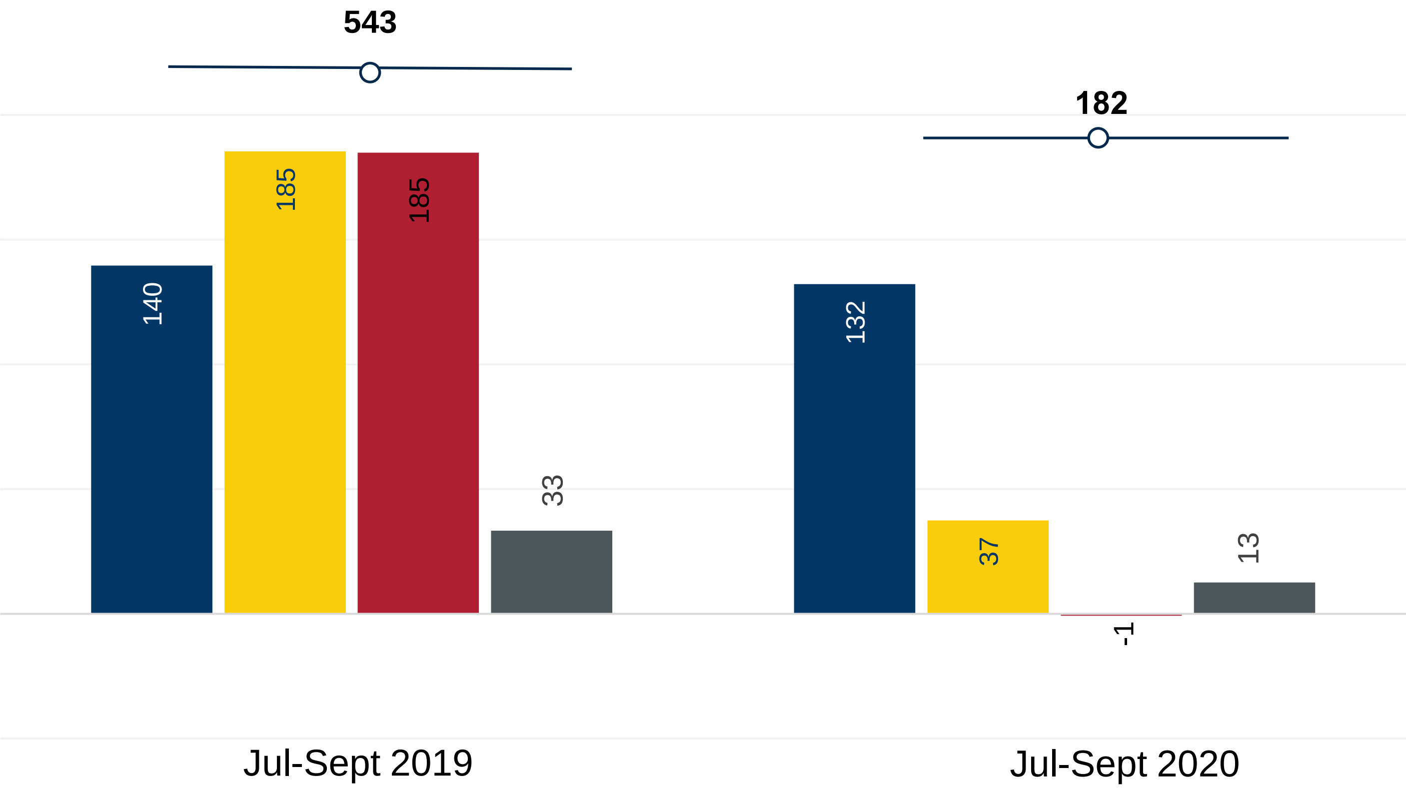


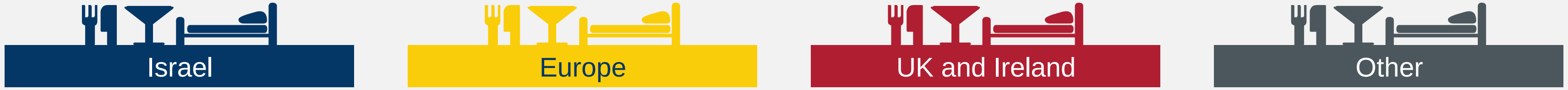
[1]Including the relative part of hotels under 50% ownership.

Main Financial Data (continued)

EBITDAR – Q3 (NIS millions) [1]

Riduction of about **56% in operating expenses**

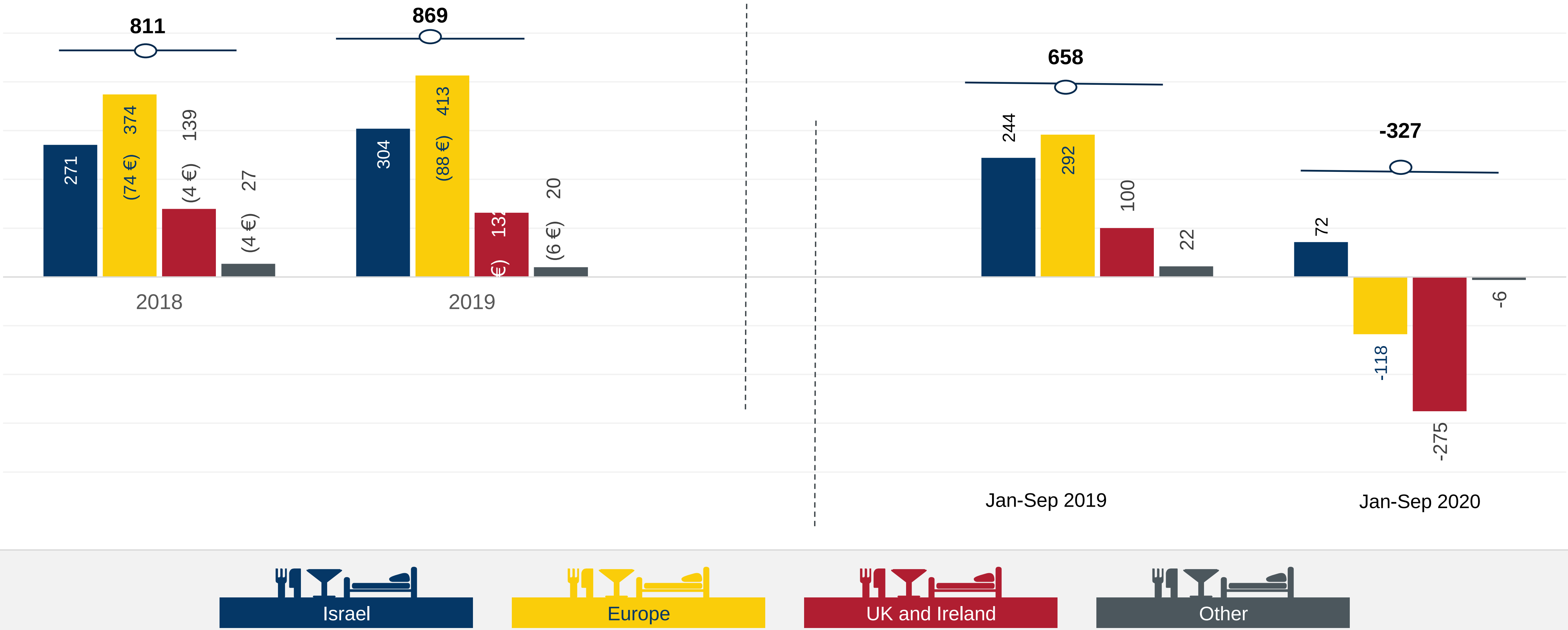




[1]Including the relative part of hotels under 50% ownership.

Main Financial Data (continued)

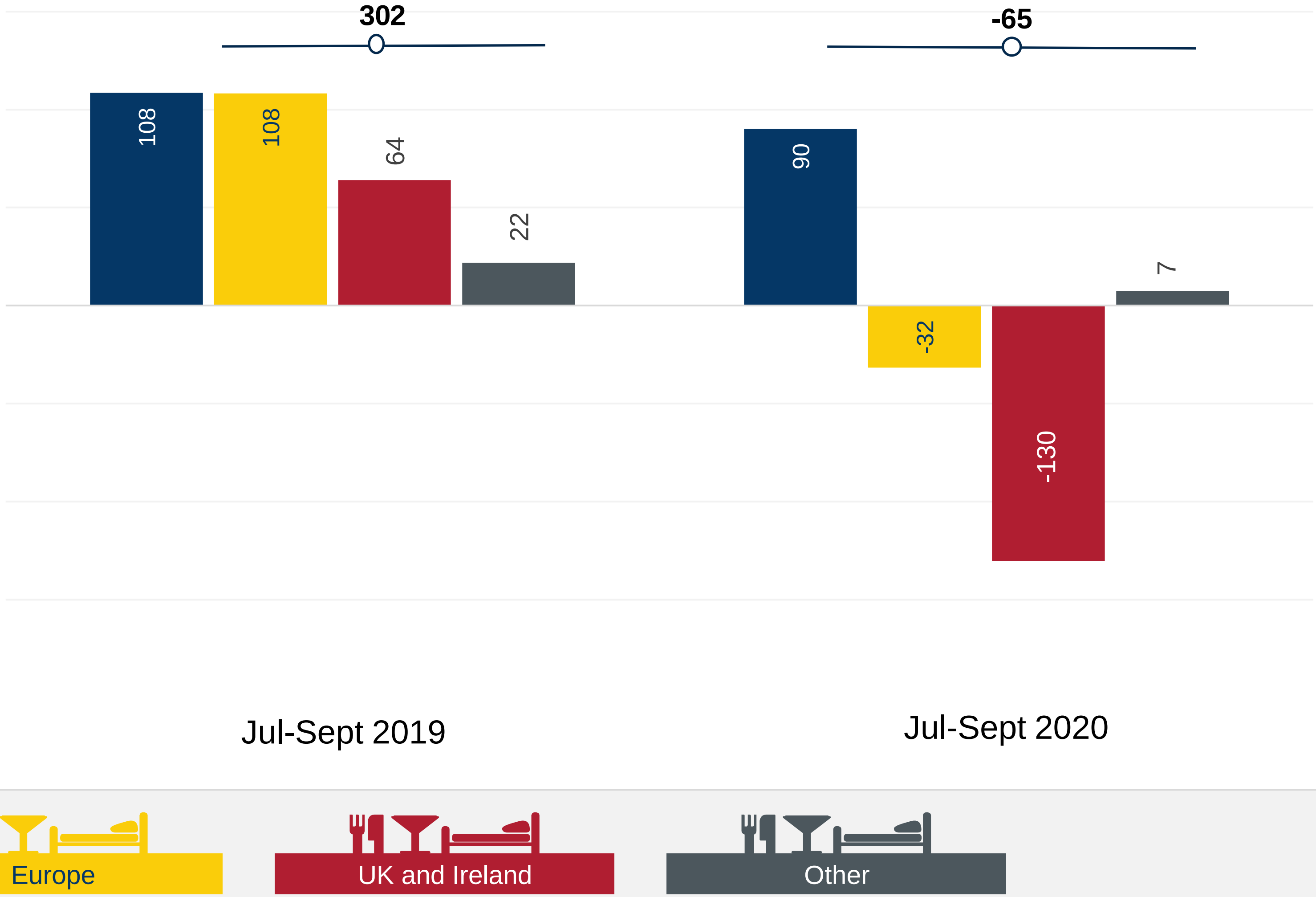
EBITDA (NIS millions) [1] Prior to the Impact of Standard IFRS 16



[1] Including the relative part of hotels under 50% ownership.

Main Financial Data (continued)

EBITDA (NIS millions)[1] – Q3 Prior to the Impact of Standard IFRS 16



[1] Including the relative part of hotels under 50% ownership.

Hotels with Future Opening Date[1]

Location		Rooms	Date	Expected Costs[1] (M.EURO)
Bucharest, Romania	Owned	81	2020	9
Barcelona, Spain	Owned (50%)	204	2021	5
Hamburg, Germany	Owned	236	2021	39
Nicosia, Cyprus	Owned (50%)	198	2022	10
Porto, Portugal	Owned (33%)	560	2022	23
Dublin, Ireland	Owned (50%)	175	2022	15
Manchester, England	Owned	275	2022	34
Tel Aviv, Israel	Owned	85	2022	35
Athens, Greece	Leased	217	2022	17
Thessaloniki , Greece	Owned (50%)	127	2022	7.5
Limassol, Cyprus	Owned (50%)	165	2022	7.5
Liverpool, England	Owned	200	2022	26
Edinburgh, Scotland	Owned	90	2022	18
Lisbon, Portugal	Owned	142	2023	24
Dead sea, Israel	Owned	198	2024	30
Total (15 Hotels)		**2,953**		

Location		Rooms	Date
Bristol, England	Leased	197	2021
Nürnberg, Germany	Leased	238	2021
Eschborn, Germany	Leased	234	2021
Augsburg, Germany	Leased	235	2021
Tel Aviv, Israel	Leased	56	2022
Jerusalem, Israel	Managed	88	2022
Hamburg, Germany	Leased	191	2022
Tel Aviv, Israel	Leased	85	2022
Koln, Germany	Leased	336	2022
Jerusalem, Israel	Leased	168	2023
Hamburg, Germany	Leased	209	2023
Koln, Germany	Leased	238	2023
Jerusalem, Israel	Leased	90	2023
Jerusalem, Israel	Leased	72	2023
Kibbutz Tzuba, Israel	Leased	152	2023
Koln, Germany	Leased	250	2023
Leipzig, Germany	Leased	236	2024
Berlin, Germany	Leased	374	2024
Total (18 Hotels)		**3,449**	

1 Future transactions that were signed up to the date of approval of the financial statements

CONSOLIDATED BALANCE SHEET (NIS millions)

	Sep 2020			Sep 2019	Dec 2019
	Data prior to the implementation of IFRS16	**Impacts of IFRS16**	**As shown in the Financial Statements**		
Current Assets	1,981	(74)	1,907	1,742	1,823
Long-Term Investments and Other Assets	2,371	11,862	14,233	13,595	14,213
Fixed Assets	5,492	-	5,492	5,545	5,752
Total Properties	**9,844**	**11,788**	**21,632**	**20,882**	**21,788**
Short-Term Credit	548	-	548	379	455
Other Current Liabilities	1,212	328	1,540	1,339	1,335
Loans and Bonds – Long Term	4,431	-	4,431	3,923	4,133
Deferred taxes	280	-	280	372	380
Others	501	12,070	12,571	11,820	12,351
Total Liabilities	**6,972**	**12,398**	**19,370**	**17,833**	**18,654**
Shareholders' Equity	**2,872**	**(610)**	**2,262**	**3,049**	**3,134**
Total Liabilities and Equity	**9,844**	**11,788**	**21,632**	**20,882**	**21,788**

Profit and Loss Statement (NIS million)

	1-9/20			1-9/2019	1-12/2019
	Data prior to the implementation of IFRS16	**Impacts of f IFRS16**	**As shown in the Financial Statements**		
Revenues from Hospitality Services and Others	1,639	-	1,639	4,005	5,342
Total Operating Expenses	1,356	-	1,356	2,667	3,532
Operating income before rent, depreciation and reductions (EBITDAR)	283	-	283	1,338	1,810
Total Rent	635	(632)	3	91	115
Operating income before depreciation and amortization (EBITDA)	(352)	632	280	1,247	1,695
Depreciation	(249)	(469)	(718)	(659)	(894)
Other Expenses, Net	(122)	56	(66)	(16)	(36)
Profit before Financing	(723)	219	(504)	572	765
Financing Expenses, Net	(138)	(478)	(616)	(528)	(718)
Group's Share in the Subsidiaries' Earnings	(35)	7	(28)	12	11
Tax Expenses (Tax Benefit)	143	67	210	(15)	(17)
Net Income	**(753)**	**(185)**	**(938)**	**41**	**41**
Net Earnings Attributed to Shareholders of the Company	(751)	(185)	(936)	39	38
Net Earnings Attributed to Non-controlling interests	(2)		(2)	2	3
Real FFO	**(480)**	**-**	**(480)**	**429**	**543**

Cash Flow Statement (NIS millions)

	1-9/20	1-9/19	1-12/19
Cash flows from operating activities	66	686	973
Cash flows for investing activities	(387)	(801)	(1,037)
Cash flows from financing activities	414	181	304

Financial Ratios to Repayment[1]

Debentures (Series B) [1,2]

	09/2020	As per Trust Deed
Shareholders’ equity	2,872 (NIS million)	Not less than 1,250 (NIS million)
Ratio of equity to total assets	29.2%	Not less than 22.5%
Ratio of net financial adjusted debt to adjusted EBITDA	(*)	Not more than 8

Debentures (Series C) [1,2]

	09/2020	As per Trust Deed
Shareholders’ equity	2,262 (NIS million)	Not less than 1,400 (NIS million)
EBITDA	(*)	Not less than 700 (NIS million)
Ratio of net financial debt to net CAP	64.6%	Not more than 76%

The financial standards in connection with the EBITDA data will not be reviewed from the date of publication of the Company's quarterly report as of March 31, 2020 until (inclusive) the date of publication of the Company's quarterly report as at March 31, 2021

1 As of September 30, 2020, the Company meets all the standards to which it is obligated pursuant to review of the proforma as stated in section 11.3.1 in the Directors’ Report .
2 For the definition of the terms "net financial debt", "EBITDA" and net CAP, see section 11.3 of the Company's Board of Directors' Report as of September 30, 2020 which is included in the Company’s quarterly report at that date.

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Thank you for your attention!