FATTAL HOLDINGS (1998) LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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

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

AUDITORS' REPORT

To the Shareholders of

FATTAL HOLDINGS (1998) LTD.
Regarding the Audit of Components of Internal Control over Financial Reporting Pursuant to Section 9b(c) of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Fattal Holdings (1998) Ltd. and its subsidiaries (collectively, "the Company") as of December 31, 2023. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting based on our audit.

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard (Israel) 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls on the revenue process; (3) controls on the fixed assets process (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2023.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 and our report dated March 27, 2024, expressed an unqualified opinion thereon.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
March 27, 2024

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

144 Menachem Begin Road, Building A, Tel-Aviv 6492102, Israel
Fax: +972-3-5622555
ey.com

AUDITORS' REPORT

To the Shareholders of

FATTAL HOLDINGS (1998) LTD.

We have audited the accompanying consolidated statements of financial position of Fattal Holdings (1998) Ltd. ("the Company") as of December 31, 2023 and 2022, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the condensed financial information of subsidiaries, whose assets constitute approximately 0.69% and 0.46% of total consolidated assets as of December 31, 2023, and 2022, respectively, and their revenues constitute approximately 7.34%, 2.44% and 2.32% of total consolidated revenues for the years ended December 31, 2023, 2022 and 2021, respectively. Furthermore, we did not audit the financial statements of companies accounted for at equity, the investment in which amounted to approximately NIS 469,339 thousand and NIS 353,868 thousand as of December 31, 2023 and 2022, respectively, and the Company's share of their earnings (losses) amounted to approximately NIS (9,078) thousand, NIS 8,971 thousand and NIS (8,590) thousand for the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect for those companies, is based on the audit reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors , the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters

The key audit matters described below are those matters that were communicated, or should have been communicated, to the Company's board of directors and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) which relates, or may relate, to significant accounts or disclosures in the financial statements and (2) that involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures to which they relate.

Valuation of property, plant and equipment and property, plant and equipment under construction

As of December 31, 2023, the Group has property, plant and equipment and property, plant and equipment under construction consisting of real estate properties and buildings in a total of NIS 6,219 million, accounting for 23.36% of the Group's assets.
As described in Note 10 to the consolidated financial statements, the property, plant and equipment consisting of the Group's real estate properties and buildings are measured at fair value and revaluation gains and losses are carried to a revaluation reserve in equity, less the tax effect. In the event of impairment that exceeds the revaluation reserve, the difference is carried to profit or loss.
In the valuation of property, plant and equipment and property, plant and equipment under construction, the Company mainly uses the income approach by estimating the value of the property using the discounted cash flow expected from the property over its economic life by incorporating the risk components in income and expenses.
In measuring the fair value, numerous estimates and assumptions are used, including estimated expected income, management fees, repair reserve, asset operating expenses and assumptions regarding the appropriate discount rate per property.
Among others, the assumptions take into account (historical, updated and forecasted) data of the valued property and comparable data of other properties of similar features and/or locations. Any change in the assumptions underlying the property measurement is likely to result in a material change to the fair value of the property and therefore a material change in the Company's statement of financial position and operating results.
Most of the estimates are made by independent external valuation experts hired by the Company based on their experience and acquaintance with the valued property and with similar properties given the relevant market data and based on data received from various functions in the Company. This process of measuring the fair value of the Company's properties is subject to significant uncertainty and subjective evaluations and is sensitive to changes in the underlying assumptions. Moreover, this process requires management to exercise significant judgment.

As a result of all the aforesaid, due to the extensive use of judgment and estimates by the auditor in the audit and by management and those charged with corporate governance, and given that property, plant and equipment and property, plant and equipment under construction are material items in the Company's financial statements, we identified the valuation of property, plant and equipment and property, plant and equipment under construction as a key audit matter.

The primary procedures we performed to address the process of valuation of property, plant and equipment and property, plant and equipment under construction included the following:

- Understanding the internal control environment for measuring the fair value of property, plant and equipment and auditing the effectiveness of the relevant internal controls underlying fair value measurement.
- Evaluating the experience, competence and independence of the valuation experts hired by the Company.

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- Testing the adequacy of the methodology selected for fair value measurement and verifying its correspondence to the features of the valued property.
- Testing the key assumptions and issues that require making extensive judgment and understanding the approaches used by the valuation experts in fair value measurement.
- Reviewing the accuracy of the information delivered by the Company to the valuation experts on a test basis.
- Evaluating, on a test basis, the reasonableness of the key assumptions underlying the valuations selected which included discount rates and last year's results.
- Reviewing the valuations by an expert appraiser on our behalf on a test basis.
- Maintaining direct communications with the Company's management and the valuation experts hired by it.
- Testing the proper implementation of the assumptions used in fair value measurement and verifying sample calculations in the valuations.
- Assessing the adequacy of disclosures relating to the valuation approaches and the underlying assumptions used by the valuation experts.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2023, and our report dated March 27, 2024, included an unqualified opinion on the effective maintenance of those components.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
March 27, 2024

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2023	Convenience translation (Note 1f) December 31, 2023
		NIS		Euro
		(In thousands)		
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	5a	829,643	886,045	220,871
Securities held for trading	5b	81,562	18,220	4,542
Trade receivables	6	400,061	293,445	73,149
Restricted deposit		3,951	-	-
Other accounts receivable	7	245,739	241,553	60,213
Income tax receivable		6,162	4,920	1,226
Inventories		20,119	24,602	6,133
		1,587,237	1,468,785	366,134
Assets held for sale		-	34,099	8,501
Total current assets		1,587,237	1,502,884	374,635
NON-CURRENT ASSETS:				
Long-term receivables	8	93,319	47,753	11,905
Advance on fixed assets	20	15,646	-	-
Loans and Investments in companies and partnerships accounted for at equity	9	2,370,967	3,055,512	761,669
Property, plant and equipment, net	10	6,113,864	7,468,279	1,861,671
Property, plant and equipment under construction	10	560,506	453,037	112,932
Right-of-use assets, net	16	11,816,059	12,937,357	3,224,987
Deferred taxes on right-of-use assets	23f	467,499	579,063	144,347
Deferred taxes	23f	189,021	199,041	49,616
Intangible assets		345,082	369,889	92,205
Total non-current assets		21,971,963	25,109,931	6,259,332
Total assets		23,559,200	26,612,815	6,633,967

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2023	Convenience translation (Note 1f) December 31, 2023
		NIS		Euro
		(In thousands)		
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	11	707,594	439,852	109,645
Current maturities of liabilities from leases of right-of-use assets	16	412,838	488,970	121,889
Current maturities of debentures	15	452,940	536,323	133,693
Trade payables	12	282,572	270,289	67,377
Income tax payable	23c	70,496	31,441	7,838
Other accounts payable	13	878,970	996,032	248,288
Shareholders	30c	6,290	6,529	1,628
Total current liabilities		2,811,700	2,769,436	690,358
NON-CURRENT LIABILITIES:				
Loans from banks and others	14	2,690,329	3,388,767	844,742
Debentures, net	15	2,234,939	2,338,427	582,916
Liabilities from leases of right-of-use assets	16	12,733,958	14,118,732	3,519,477
Deferred taxes	23f	411,979	513,486	128,000
Employee benefit liabilities, net	18	20,155	23,446	5,845
Other non-current liabilities	19	90,410	97,120	24,210
Shareholders		5,181	8,883	2,214
Total non-current liabilities		18,186,951	20,488,861	5,107,404
Total liabilities		20,998,651	23,258,297	5,797,762
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	22			
Share capital and premium		1,014,932	1,083,328	270,048
Capital reserves		1,419,158	2,044,529	509,654
Retained earnings		47,302	132,724	33,085
		2,481,392	3,260,581	812,787
Non-controlling interests		79,157	93,937	23,418
Total equity		2,560,549	3,354,518	836,205
		23,559,200	26,612,815	6,633,967

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

March 27, 2024			
Date of approval of the financial statements	Yuval Bronstein Chairman of the Board of Directors	David Fattal Chief Executive Officer and Director	Shahar Aka Chief Financial Officer and Director

CONSOLIDATED STATEMENTS OF INCOME

	Note	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023	Convenience translation (Note 1f) Year ended December 31, 2023
		NIS	NIS	NIS	Euro
		(In thousands)			
Revenues from hospitality services and others	24	3,040,666	5,471,418	6,928,460	1,727,106
Cost of revenues	25	1,474,150	3,077,607	3,774,616	940,925
		1,566,516	2,393,811	3,153,844	786,181
Selling and marketing expenses	26	87,995	134,586	133,861	33,368
General and administrative expenses	27	291,978	434,215	567,533	141,473
		1,186,543	1,825,010	2,452,450	611,340
Hotel lease expenses		3,938	93,323	155,738	38,822
Operating income before depreciation and amortization and other operating expenses		1,182,605	1,731,687	2,296,712	572,518
Depreciation and amortization	10	264,540	302,387	333,566	83,150
Depreciation of revaluation of step-up		31,316	31,553	38,760	9,662
Depreciation on right-of-use assets		656,235	671,394	776,825	193,645
Other operating expenses (income), net	28	(269,884)	(21,948)	38,328	9,554
Operating income		500,398	748,301	1,109,233	276,507
Financial income	29	1,883	220	787	196
Financial expenses	29	(202,693)	(233,592)	(314,051)	(78,286)
Financing expenses on liabilities from leases of right-of-use assets		(660,531)	(649,445)	(735,436)	(183,327)
Group's share of earnings (losses) of companies and partnerships accounted for at equity		(679)	861	(4,663)	(1,163)
Income (loss) before taxes on income (tax benefit)		(361,622)	(133,655)	55,870	13,927
Tax benefit (taxes on income)	23g	138,818	55,199	(10,792)	(2,691)
Income (loss) for the period		(222,804)	(78,456)	45,078	11,236
Attributable to:					
Shareholders of the Company		(226,161)	(78,775)	45,185	11,264
Non-controlling interests		3,357	319	(107)	(28)
		(222,804)	(78,456)	45,078	11,236
Income (loss) per share attributable to equity holders of the Company:	31				
Basic income (loss) per share		(14.63)	(5.01)	2.76	0.69
Diluted income (loss) per share		(14.63)	(5.01)	2.75	0.68

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT OR LOSS

	Year ended December 31,			Convenience translation (Note 1f) Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Income (loss) for the period	(222,804)	(78,456)	45,078	11,236
Other comprehensive income (after tax effect):				
Amounts that will not be reclassified subsequently to profit or loss:				
Actuarial income, net	8,521	15,408	78	19
Revaluation of properties, net	282,377	193,515	306,348	76,367
Group's share in other comprehensive income (mainly for revaluation of properties in companies and partnerships) accounted for at equity	158,166	174,425	252,982	63,063
Total amounts that will not be reclassified subsequently to profit or loss	449,064	383,348	559,408	139,449
Amounts that will be classified or reclassified subsequently to profit or loss under specific conditions:				
Earnings (losses) in respect of cash flow hedging transaction, net	12,365	(5,790)	(42,477)	(10,589)
Foreign currency translation adjustments	(226,812)	113,523	163,566	40,773
Total amounts that will be reclassified subsequently to profit or loss	(214,447)	107,733	121,089	30,184
Total other comprehensive income	234,617	491,081	680,497	169,633
Total comprehensive income	11,813	412,625	725,575	180,869
Attributable to:				
Shareholders of the Company	11,051	406,642	709,600	176,887
Non-controlling interests	762	5,983	15,975	3,982
	11,813	412,625	725,575	180,869

The accompanying notes are an integral part of the 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
	NIS (In thousands)									
Balance as of January 1, 2021	829,798	8,439	152,791	(262,941)	7,518	63,627	1,074,679	1,873,911	76,449	1,950,360
Income (loss) for the period	-	-	(226,161)	-	-	-	-	(226,161)	3,357	(222,804)
Other comprehensive income (loss)	-	-	-	(230,229)	-	12,365	455,076	237,212	(2,595)	234,617
Total comprehensive income (loss)	-	-	(226,161)	(230,229)	-	12,365	455,076	11,051	762	11,813
exercise of options	17	(17)	-	-	-	-	-	-	-	-
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(3,494)	(3,494)
Vesting option to employees	-	1,685	-	-	-	-	-	1,685		1,685
Transfer from revaluation in respect of sale, net	-	-	133,836	-	-	-	(133,836)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	31,030	-	-	-	(31,030)	-	-	-
Balance as of December 31, 2021	829,815	10,107	91,496	(493,170)	7,518	75,992	1,364,889	1,886,647	73,717	1,960,364
Income (loss) for the period	-	-	(78,775)	-	-	-	-	(78,775)	319	(78,456)
Other comprehensive income (loss)	-	-	-	151,753	-	(5,790)	339,454	485,417	5,664	491,081
Total comprehensive income (loss)	-	-	(78,775)	151,753	-	(5,790)	339,454	406,642	5,983	412,625
Issuance of share	259	(259)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	184,858	-	-	-	-	-	-	184,858	-	184,858
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(543)	(543)
Vesting option to employees	-	3,245	-	-	-	-	-	3,245	-	3,245
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	34,581	-	-	-	(34,581)	-	-	-
Balance as of December 31, 2022	1,014,932	13,093	47,302	(341,417)	7,518	70,202	1,669,762	2,481,392	79,157	2,560,549

The accompanying notes are an integral part of the 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
	NIS (In thousands)									
Balance as of December 31, 2022	1,014,932	13,093	47,302	(341,417)	7,518	70,202	1,669,762	2,481,392	79,157	2,560,549
Income (loss) for the period	-	-	45,185	-	-	-	-	45,185	(107)	45,078
Other comprehensive income (loss)	-	-	-	203,843	-	(42,477)	503,049	664,415	16,082	680,497
Total comprehensive income (loss)	-	-	45,185	203,843	-	(42,477)	503,049	709,600	15,975	725,575
Issuance of share	1,125	(1,125)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	67,271	-	-	-	-	-	-	67,271	-	67,271
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(1,195)	(1,195)
Vesting option to employees	-	2,318	-	-	-	-	-	2,318	-	2,318
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	40,237	-	-	-	(40,237)	-	-	-
Balance as of December 31, 2023	1,083,328	14,286	132,724	(137,574)	7,518	27,725	2,132,574	3,260,581	93,937	3,354,518

The accompanying notes are an integral part of the 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
	Convenience translation into Euro (Note 1f) (In thousands)									
Balance as of December 31, 2022	252,999	3,264	11,791	(85,107)	1,874	17,500	416,232	618,553	19,734	638,287
Income (loss) for the period	-	-	11,264	-	-	-	-	11,264	(28)	11,236
Other comprehensive income (loss)	-	-	-	50,813	-	(10,589)	125,399	165,623	4,010	169,633
Total comprehensive income (loss)	-	-	11,264	50,813	-	(10,589)	125,399	176,887	3,982	180,869
Issuance of share	280	(280)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	16,769	-	-	-	-	-	-	16,769	-	16,769
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(298)	(298)
Vesting option to employees	-	578	-	-	-	-	-	578	-	578
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	10,030	-	-	-	(10,030)	-	-	-
Balance as of December 31, 2023	270,048	3,562	33,085	(34,294)	1,874	6,911	531,601	812,787	23,418	836,205

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Convenience translation (Note 1f) Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Cash flows from operating activities:				
Income (loss) for the period	(222,804)	(78,456)	45,078	11,236
Adjustments to the profit or loss items:				
Depreciation and amortization and depreciation on revaluation of property, plant and equipment and right-of-use assets	952,091	1,005,334	1,149,151	286,457
Finance expenses, net	855,298	866,688	1,040,059	259,267
Group's share of losses (earnings) of companies and partnerships accounted for at equity	679	(861)	4,663	1,163
Change in liabilities for time-sharing rights, net	(666)	(614)	(564)	(141)
Change in employee benefit liabilities, net	8,938	15,536	3,086	769
Taxes on income (tax benefit)	(138,818)	(55,199)	10,792	2,691
Loss (gain) from impairment of property, plant and equipment and investments	(95,597)	(2,713)	6,012	1,499
Share-based payment expense	1,685	3,245	2,318	578
Other income from rent concession received	(165,547)	(21,403)	-	-
Loss (gain) from a change in the value of securities held for trading	(3,148)	14,461	8,237	2,053
	1,414,915	1,824,474	2,223,754	554,336
Changes in asset and liability items:				
Decrease (increase) in trade receivables	(183,792)	(123,656)	117,181	29,211
Decrease (increase) in other accounts receivable	16,591	(65,608)	3,042	758
Increase in inventories	(5,321)	(4,156)	(3,302)	(823)
Decrease (increase) in long-term receivables	(92,440)	58,190	38,756	9,661
Increase (decrease) in trade payables	71,263	61,417	(21,505)	(5,361)
Increase (decrease) in other accounts payable	120,015	(51,831)	91,674	22,852
Increase (decrease) in other non-current liabilities	30,048	(32,794)	(81,963)	(20,431)
	(43,636)	(158,438)	143,883	35,867
Cash received (paid) during the year for:				
Receiving a dividend from an investee company	-	-	4,000	997
Taxes received	15,114	-	-	-
Taxes paid	(22,260)	(37,575)	(115,761)	(28,857)
Interest paid for leases of right-of-use assets	(590,116)	(634,953)	(735,738)	(183,403)
Other interest paid, net	(177,653)	(173,077)	(263,100)	(65,585)
	(774,915)	(845,605)	(1,110,599)	(276,848)
Net cash provided by operating activities	373,560	741,975	1,302,116	324,591

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2021	2022	2023	Convenience translation (Note 1f) Year ended December 31, 2023
	NIS			Euro
	(In thousands)			
Cash flows from investment activities:				
Proceeds from sale of fixed assets	307,425	-	-	-
Purchase of property, plant and equipment, net	(226,028)	(777,299)	(471,586)	(117,556)
Current investments in existing assets	(47,435)	(109,453)	(185,811)	(46,318)
Advance of investment in fixed assets	(11,478)	(4,143)	-	-
Purchase of companies consolidated for the first time (a)	-	(15,332)	(107,262)	(26,738)
Tax paid for the disposal of fixed assets in the past	(54,615)	(10,771)	(17,912)	(4,465)
Sale and purchase of securities held for trading, net	8,176	(65,352)	55,105	13,736
Loans and Investment in companies and partnerships accounted for at equity, net	(321,590)	(335,261)	(398,731)	(99,395)
Change in accounts receivable	50,000	-	-	-
Other assets, net	-	-	(235)	(59)
Change in designated deposit, net	3,748	16,239	41,048	10,232
Return on investment (investment) in various companies, net	(6,940)	(26,909)	1,709	426
Net cash used in investment activities	(298,737)	(1,328,281)	(1,083,675)	(270,137)
Cash flows from financing activities:				
Short-term credit from banking corporations, net	1,744	7,617	16,548	4,125
Receipt of long-term loans from banking corporations and others	130,009	964,236	636,581	158,685
Repayment of long-term loans from corporations and others	(441,436)	(501,661)	(553,272)	(137,918)
Issue of debentures, net	190,667	756,074	812,712	202,590
Repayment of debentures	(240,044)	(253,416)	(582,142)	(145,115)
Repayment of liabilities from leases of right-of-use assets	(140,325)	(351,436)	(515,973)	(128,620)
Net cash provided by (used in) financing activities	(499,385)	621,414	(185,546)	(46,253)
Translation differences in respect of balances of cash and cash equivalents	(71,501)	33,307	23,507	5,860
Increase (decrease) in cash and cash equivalents	(496,063)	68,415	56,402	14,060
Cash included in assets held for sale	(15,567)	15,567	-	-
Cash and cash equivalents at beginning of year	1,257,291	745,661	829,643	206,811
Cash and cash equivalents at end of year	745,661	829,643	886,045	220,871
Material non-cash activity:				
Purchase of properties, plant and equipment	8,725	31,625	3,500	873
Recognition of the right-of-use assets against lease liabilities	734,962	760,714	540,515	134,738
Updates in right-of-use assets in respect of linkages to the CPI index	69,315	285,106	501,861	125,102
Receipt of waiver of lease payment	100,150	12,948	-	-
Conversion of convertible bonds into shares	-	184,858	67,271	16,769

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023	Convenience translation (Note 1f) Year ended December 31, 2023
	NIS	NIS	NIS	Euro
	(In thousands)			
(a) Acquisition of initially consolidated subsidiaries:				
The subsidiaries' assets and liabilities at date of acquisition:				
Current assets	-	(5,242)	(3,671)	(915)
Non-current assets	-	(30,620)	(292,143)	(72,825)
Current liabilities	-	20,530	-	-
Non-current liabilities	-	-	188,552	47,002
	-	(15,332)	(107,262)	(26,738)

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

NOTE 1:- GENERAL

a. Fattal Holdings (1998) Ltd. ("the Company") is a holding company, which operates by itself and through corporations held by it, in the hotel, tourism and leisure industry by way of holding hotels in Israel and abroad, as well as by way of operating and managing hotels in Israel and abroad. In February 2018, the Company completed its first public offering of shares and as of that date, the Company became a public company as the term is defined in the Companies Law, 1999. Mr. David Fattal is the controlling shareholder in the Company.

b. As of the date of approval of the financial statements, the Company, through the investee companies, is the operator and manager of the Fattal Hotel Chain, which includes 280 hotels throughout Israel and Europe, comprising about 50,000 hotel rooms, including 67 hotels in Israel with a total of about 11,386 hotel rooms. Of these, about 8,364 rooms are located in hotels in which the Company has full or part of the ownership rights, and about 3,022 rooms located in hotels that the Company leases or manages only. In addition, the Company operates and manages 197 hotels throughout Europe (excluding Cyprus and Greece) with a total of about 36,020 hotel rooms, of which about 13,647 rooms are in hotels in which the Company has full or part of the ownership rights, and about 22,373 rooms are in hotels that the Company leases or manages only. In addition, the Company operates and manages 16 hotels in Cyprus and Greece with about 2,752 rooms, of which about 2,350 rooms are in hotels in which the Company has full or part of the ownership rights, and about 402 rooms are in hotels that the Company leases or manages only. For further details regarding operating segments, see Note 32.

c. On October 7, 2023, the "Swords of Iron" war began in Israel and the Company's hotels in Israel were mobilized to host the evacuated residents of the south and north. The payment of the stay for the evacuees is funded by the State in accordance with the arrangement established by it. During the period of the report, the war had no material impact on the Company's results. As of the date of signing the report, all of the Company's hotels in Israel, except for one, are open to the public (some of which are also evacuees). As long as the fighting continues, there may be a negative impact on the results of the Israel sector in the following quarters, the extent of which cannot be estimated at this stage. It should be noted that the results of the Israel segment (EBITDAR) during the reporting period constituted about 20% of the Company's results (EBITDAR) in the consolidated statements and that the other segments of the Company's activity operate mainly in Europe and their revenues are mainly denominated in Euros and GBP.

d. It should be noted that, as of December 31, 2023, the Company had a consolidated working capital deficit of about NIS 1,266 million. According to the Company's Management and the Board of Directors, the above deficit does not indicate a liquidity issue as the Company has the following sources:

- Cash available to the Group close to the date the financial statements were approved of about NIS 700 million.
- The Company has a positive cash flow from current operating activities during the reporting period in the amount of approximately NIS 1,302 million, which is even expected to increase as a result of the opening of new hotels in the coming year mainly in Europe.

NOTE 1:- GENERAL (Cont.)

- Obtaining financing for properties that were not financed (a total of approximately NIS 310 million) and additional properties that were purchased with external financing when a major part of this external financing has already been repaid and the Company is working to raise external financing for these hotels.
- Ability to obtain finance vis-à-vis banking corporations against properties at a low financing rate, as well as financing ability in the capital market.

According to the Company's Management and the Board of Directors, the Company will meet its obligations in the foreseeable future.

e. Definitions:

In these financial statements:

The Company	-	Fattal Holdings (1998) Ltd.
The Group	-	The Company and its investee company and partnerships.
Fattal Hotels	-	Fattal Hotels Ltd., a subsidiary.
Consolidated subsidiaries and partnerships	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Jointly controlled entities (joint ventures)	-	Companies owned by various entities that have a contractual arrangement for joint control and whose accounts are consolidated with those of the Company using the proportionate consolidation method.
Investee companies and partnerships	-	Subsidiaries, jointly controlled entities and associates.
Related parties	-	As defined in IAS 24.
Interested party and controlling shareholder	-	As defined in the Securities Regulations (Annual Financial Statements), 2010.

f. The financial statements as of December 31, 2023 and for the year then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 4.0116). The translation was made solely for the convenience of the reader. The amounts presented in these financial statements should not be construed to represent amounts receivable or payable in Euros or convertible into Euros, unless otherwise indicated in these statements.

NOTE 2:- ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis, except for: property, financial instruments (including derivatives) which are presented at fair value.

The Company has elected to present the profit or loss items using the function of expense method.

b. The operating cycle:

The operating cycle of the company is 12 months.

c. Acquisition of a single asset company

Upon the acquisition of a single asset company, the Group evaluates whether it is the acquisition of a business or of an asset. To be considered a business, the acquisition must include, at a minimum, an input and a substantive process that together can significantly contribute to the creation of outputs. The acquisition is accounted for as a business combination if the single asset company is a business. If it is not a business, the acquisition is accounted for as the acquisition of assets and liabilities. In such an acquisition, the cost of the acquisition includes transaction costs which are allocated to the identifiable acquired assets and liabilities proportionally based on their fair value on the acquisition date. In such case, goodwill and deferred taxes in respect of the temporary differences existing as of the acquisition date are not recognized.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

d. Investments accounted for using the equity method:

The Group's investments in associate companies and joint ventures are accounted for using the equity method.

According to the equity method, the investment in the associate company or joint venture is presented at cost with the addition of changes after the acquisition in the Group's share in the net assets, including other comprehensive income of the associate company or joint venture. Gains and losses arising from transactions between the Group and the associate company or joint venture are cancelled according to the shareholding percentage.

Upon the acquisition of an associate company or a joint venture achieved in stages when the former investment in the acquiree was accounted for pursuant to the provisions of IFRS 9, the Group applies the principles of IFRS 3 regarding business combinations achieved in stages. Consequently, equity interests in the acquiree that had been held by the Group prior to achieving significant influence or joint control are measured at fair value on the acquisition date and are included in the acquisition consideration while recognizing a gain or loss resulting from the fair value measurement.

e. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The Company's functional currency and the presentation currency of the financial statements is NIS.

2. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at each reporting date according to the terms of the agreement.

f. Inventories:

Inventories comprise food and beverages and are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition

NOTE 2:- ACCOUNTING POLICIES (Cont.)

g. Financial instruments:

1. Financial assets:

a) Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Most of the assets measured at amortized cost are customers and accounts payable balances with companies which are treated using the balance sheet method.

b) Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

c) Equity instruments and other financial assets held for trading:

Financial assets held for trading, including derivatives, are measured at fair value through profit or loss unless they are designated as effective hedging instruments.

2. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate;

NOTE 2:- ACCOUNTING POLICIES (Cont.)

3. Compound financial instruments:

Convertible debentures which contain both an equity component and a liability component are separated into two components. This separation is performed by first determining the liability component based on the fair value of an equivalent non-convertible liability. The value of the conversion component is determined to be the residual amount. Directly attributable transaction costs are apportioned between the equity component and the liability component based on the allocation of proceeds to the equity and liability components.

h. Derivative financial instruments designated as hedges:

The Group enters into contracts for derivative financial instruments such as forward currency contracts and interest rate swaps to hedge risks associated with foreign exchange rate fluctuations.

Gains or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recorded immediately in profit or loss.

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

Cash flow hedges:

Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when interest income or expense is recognized or when a forecasted transaction occurs. Where the hedged item is a non-financial asset or liability, their cost also includes the gain (loss) from the hedging instrument.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

i. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

The Company generally uses external appraisers for the purpose of measuring fair value based on the data in level 3.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

j. Leases:

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the company has elected to apply the practical expedient in IFRS 16.

The lease liability usually discounted using the Company's incremental borrowing rate.

The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

2. Variable lease payments:

Variable lease payments that are based mainly on a percentage of a certain turnover stipulated in the agreement are recognized as an expense as incurred when the Company is the lessee, and are recognized as income as earned when the Company is the lessor.

3. Lease extension and termination options:

A non-cancelable lease term includes the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

k. Property, plant and equipment

Items of property, plant and equipment are presented at cost, with the addition of direct acquisition costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding routine maintenance expenses

Components of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately using the component method.

Depreciation is calculated in equal annual instalments on a straight-line basis over the useful life of the assets as follows:

	%
Buildings	1.2 - 2.5
Land under finance leases	According to the lease contract, including the option period (usually 1% - 2%)
Furniture and equipment	6.5 - 33
Operating equipment	40 - 50
Leasehold improvements	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group which it intends to exercise) and the useful life of the improvement.

The Group implements the revaluation model pursuant to IAS 16.

The revaluation of property, plant and equipment is recognized in a revaluation reserve presented in equity, net of income taxes. The revaluation reserve is transferred directly to retained earnings when the asset is derecognized or as the asset is used based on the depreciation of the asset.

Revaluations are performed frequently enough to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

l. Impairment of non-financial assets:

1. Goodwill in respect of subsidiaries

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

2. Investment in associate or joint venture

After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the investment in associates or joint ventures. The Company determines at each reporting date whether there is objective evidence that the carrying amount of the investment in the associate or the joint venture is impaired. The test of impairment is carried out with reference to the entire investment, including the goodwill attributed to the associate or the joint venture.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

m. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed using the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investee companies have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investee companies is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of profits by investee companies as dividends have not been taken into account in computing deferred taxes, since it is the Company's policy not to initiate distribution of dividends that triggers an additional tax liability.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpaying entity and the same taxation authority.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

n. Employee benefit liabilities:

Defined contribution plans:

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Most of the company's employees have signed section 14 to the Severance Pay Law.

o. Revenue recognition:

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from rendering of services:

The company's revenue is mainly from hosting services and income from management fees. Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the services. The Company charges its customers based on payment terms agreed upon in specific agreements. When payments are made before or after the service is performed, the Company recognizes the resulting contract asset or liability.

In hotels where the group's income derives from management fees derived from turnover and profit, the group includes in the financial statements, only the management fees to which she is entitled. For certain management and maintenance services contracts, the Company is an agent. Accordingly, revenue is recognized for the net amount of the consideration, after deducting the amount due to the principal.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

p. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

The main provisions included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

q. Share-based payment transactions:

The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

r. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is applied prospectively for annual reporting periods beginning on January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The application of the Amendment did not have a material impact on the Company's consolidated financial statements.

2. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The application of the Amendment did not have a material impact on the Company's consolidated financial statements.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

3. Amendment to IAS 1, "Disclosure of Accounting Policies":

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is applicable for annual periods beginning on January 1, 2023.

The application of the above Amendment had an effect on the disclosures of the Company's accounting policies, but did not affect the measurement, recognition or presentation of any items in the Company's consolidated financial statements.

4. Amendment to IAS 12, "Income Taxes":

In May 2023, the IASB issued "International Tax Reform—Pillar Two Model Rules – Amendment to IAS 12" ("the Amendment") to clarify the application of IAS 12, "Income Taxes", to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).

The Amendment introduces:

(a) A mandatory temporary exception from the application of IAS 12 regarding recognition and disclosure of deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules; and

(b) Disclosure requirements for international entities affected by the international tax reform.

The Company applies the mandatory temporary exception and therefore no disclosure was provided, and no deferred tax assets or liabilities were recognized as a result of the adoption of the Pillar Two model rules. The Company is also evaluating the effects of the International Tax Reform on its financial statements. See also Note 23 on taxes on income.

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group used its discretion and made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Acquisition of subsidiaries that are not business combinations:

  Pursuant to IFRS 3, on acquisition of subsidiaries, the Company assesses whether the acquisition represents a business combination according to IFRS 3. The assessment is based on the following circumstances which indicate the acquisition of a business: the large number of assets acquired, the existence of large volume of ancillary services related to the operation of the asset and the complexity of the management of the asset.

- Discount rate for a lease liability:

  When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions.

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

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The basis of the estimates and assumptions is reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions which were made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- Revaluation of property:

  The Group measures land and buildings which constitute property, plant and equipment at revalued amounts, and the changes in the fair value are carried to other comprehensive income. The Group entered into agreements with external assessors in order to assess the fair value. The Group measures the fair value once a year, or at longer time intervals with regard to certain assets whose value is not expected to change materially. The land and buildings are usually valued using the method of discounting the cash flows deriving from the assets (Level 3 in the fair value hierarchy), using adjusted comparative data for specific market factors, such as type of assets, location and condition.

- Deferred tax assets:

  Deferred tax assets are recognized in respect of unutilized carry-forward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. An estimate of the management is required to determine the amount of deferred tax assets that can be recognized, based upon the expected timing and level of future taxable income together with future tax planning strategies.

- Legal claims:

  In estimating the prospects of the legal claims filed against the Company and its investees, the companies have relied on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal experience accumulated in the various subjects. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

- Lease extension and/or termination options:

  In evaluating whether it is reasonably certain that the Company will exercise an option to extend a lease or not exercise an option to terminate a lease, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend or not exercise the option to terminate such as: significant amounts invested in leasehold improvements, the significance of the underlying asset to the Company's operation and whether it is a specialized asset, the Company's past experience with similar leases, etc.

  After the commencement date, the Company reassesses the term of the lease upon the occurrence of a significant event or a significant change in circumstances that affects whether the Company is reasonably certain to exercise an option or not exercise an option previously included in the determination of the lease term, such as significant leasehold improvements that had not been anticipated on the lease commencement date, sublease of the underlying asset for a period that exceeds the end of the previously determined lease period, etc.

NOTE 4:- DISCLOSURE OF IFRS STANDARDS IN THE PERIOD PRIOR TO THEIR IMPLEMENTATION

a. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- An entity should provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months from the reporting date. This disclosure is required to include information about the covenants and the related liabilities. The disclosures must include information about the nature of the future covenants and when compliance is applicable, as well as the carrying amount of the related liabilities. The purpose of this information is to allow users to understand the nature of the future covenants and to assess the risk that a liability classified as non-current could become repayable within twelve months. Furthermore, if facts and circumstances indicate that an entity may have difficulty in complying with such covenants, those facts and circumstances should be disclosed.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are both effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted.

The application of the Amendment is not expected to have a material impact on the Company's financial statements.

NOTE 4:- DISCLOSURE OF IFRS STANDARDS IN THE PERIOD PRIOR TO THEIR IMPLEMENTATION (Cont.)

b. Amendment to IFRS 16, "Leases":

In September 2022, the IASB issued an amendment to IFRS 16, "Leases" ("the Amendment"), which provides guidance on how a seller-lessee should measure the lease liability arising in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The seller-lessee has to choose between two accounting policies for measuring the lease liability on the inception date of the lease. The accounting policy chosen must be applied consistently.

The Amendment is applicable for annual periods beginning on or after January 1, 2024. Early application is permitted. The Amendment is to be applied retrospectively.

The Company is evaluating the effects of the Amendment on its financial statements.

c. Amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures":

In May 2023, the IASB issued amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures" ("the Amendments") to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the Amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

The Company is evaluating the effects of the Amendment on its financial statements.

NOTE 5:- CASH AND CASH EQUIVALENTS

a. Cash and cash equivalents

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Cash for immediate withdrawal	469,955	548,020	136,609
Cash equivalents - short-term deposits	359,688	338,025	84,262
	829,643	886,045	220,871
Composition by currency types:			
Euro	361,951	471,363	117,500
Israeli Shekel	423,314	400,471	99,828
Pound Sterling	33,072	10,956	2,731
Other	11,306	3,255	812
	829,643	886,045	220,871

b. Securities held for trading

Shares	35,720	16,157	4,028
Bonds	37,151	1,020	254
Mutual Funds	8,691	1,043	260
	81,562	18,220	4,542

NOTE 6:- TRADE RECEIVABLES

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Open accounts	271,514	209,187	52,146
Cheques receivable and credit card companies	137,591	93,522	23,313
	409,105	302,709	75,459
Less - allowance for doubtful accounts	9,044	9,264	2,310
Trade receivables, net	400,061	293,445	73,149

Impairment of debts is accounted for through recording an allowance for doubtful accounts. The Group has no significant arrears of trade receivables that are not included in the abovementioned allowance for doubtful accounts.

NOTE 7:- OTHER ACCOUNTS RECEIVABLE

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Associate companies and hotels under management	53,323	70,435	17,558
Prepaid expenses	53,448	65,293	16,276
Institutions	90,591	54,511	13,588
Income receivable	6,778	14,477	3,609
Others	41,599	36,837	9,182
	245,739	241,553	60,213

NOTE 8:- LONG-TERM RECEIVABLES

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Restricted deposit	(*) 56,539	23,197	5,782
Financial derivatives	17,293	1,113	277
Other	19,487	23,443	5,846
	93,319	47,753	11,905

(*) The balance includes a total of approximately EUR 10 million in connection with a loan received by the German government. The loan was repaid during the reporting period.

NOTE 9:- INVESTMENTS

Loans and investments in other companies and partnerships accounted for on equity basis

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Investments in other companies and partnerships accounted for on equity basis	1,529,918	2,142,316	534,030
Capital note and loans to other companies and partnerships accounted for on equity basis	841,049	913,196	227,639
	2,370,967	3,055,512	761,669

Additional information:

a. During 2021, the Company acquired 50% of the share capital of a company that owns four hotels in London, which are leased to the Company, for a total of about GBP 54.5 million. On April 4, 2023, the Company signed an addendum to the original purchase agreement, according to which 7% of the share of the partner constitute an addition of about 3.5% of the capital of the investee company, in exchange for about GBP 9 million. After the purchase, the Company's holding percentage is about 53.5%. It should be noted that since the additional shares purchased do not confer voting rights, the Company has no control over the investee company, and therefore the investment continues to be included in the financial statements according to the balance sheet value method.

The investee company received a loan in the amount of approximately GBP 601 million which was received from a banking corporation for 5 years and is due in March 2024. It should be noted that as part of receiving the loan the investee company pledged the four hotels mentioned above. As part of advanced contacts between the Company and the partners in the investee company and the banking corporation for the refinancing of the loan, an extension of one month was received for the repayment of the loan. In accordance with the new loan agreement that is being drawn up and is expected to be signed in April 2024, the Company and the partners will invest approximately GBP 95 million in the investee company, according to the share of each partner.

NOTE 9:- INVESTMENTS (Cont.)

b. On April 2022, Fattal Properties (Europe) completed the establishment of the venture together with institutional entities for the purpose of investment in hotels in Europe by establishing an Israeli partnership, FATTAL EUROPEAN PARTNERSHIP II LP (hereinafter - the "Partnership"), which will work to identify investment opportunities in hotels in Europe, whether by purchasing and improving existing hotels or by establishment of new hotels, with their day-to-day operation and their sale as long as the Partnership deems it appropriate in accordance with the established investment strategy. Investment commitments totaling about EUR 381 million have been received as part of the Partnership (the share of Fattal Properties (Europe) is EUR 100 million).
In accordance with the partnership documents, it has been determined that FATTAL EUROPEAN PARTNERSHIP II GP (a wholly owned partnership of Fattal Properties (Europe)) is the General Partner (GP), and the above partners (including Fattal Properties (Europe)) are Limited Partners (LP).
It was also agreed that the day-to-day operational management of the hotels maintained by the Partnership would be carried out by Fattal Hotels Ltd, which is 100% owned indirectly by the Company, (hereinafter - "Fattal Hotels") in accordance with the management agreement that shall be signed between each hotel (when purchased) and Fattal Hotels (in exchange for an annual fee of 2% of each hotel's revenue turnover plus an incentive fee of 14% of the total operating profit (NOP) as defined in each hotel's agreement). Each year, before paying the incentive fee to Fattal Hotels for managing the hotels, the Partnership shall distribute an amount equal to 5% of the shareholders' equity of the investment that has not yet been repaid cumulatively to all hotels (and if not actually paid in a particular year, it will accrue in nominal terms for the following year), subject to the terms set out in the partnership agreement.

It should be noted that in accordance with the partnership agreement, it was determined that a special approvals committee will be established, which will be composed of representatives of the largest investors (including a Fattal representative) (each representative will have one vote in the committee) which will have the power to make decisions (by a simple majority or a special majority as stipulated in the partnership agreement) on various issues related to the partnership, including strategic and financial decisions, such as the annual budget prepared by Fattal Hotels or the General Partner, CAPEX expenses, taking up of debt and more, with everything as defined in the agreement. Accordingly, the Company reports its investment in the partnership according to the balance sheet value method.

It should be noted that during the year, Fattal Properties (Europe) invested a total of about EUR 43 million according to its share in calls for money made by the Partnership. As of the date of signing the Report, Fattal Properties (Europe) invested a total of about EUR 83.6 million out of its total commitment (EUR 100 million).

Up to December 31, 2023, 19 hotels were purchased by the Partnership in Spain, Poland, Cyprus, Austria, Greece, the UK, Germany and Italy with a total cost of approximately EUR 651 million (December 31, 2022 – EUR 386 million).

NOTE 9:- INVESTMENTS (Cont.)

c. In January 2024, Fattal Properties (Europe) completed the establishment of another Israeli limited partnership – Fattal Partnership III (INTERNATIONAL) LP (hereinafter - Partnership III) in the hotel sector together with institutional bodies in Israel, which will operate in a format similar to the format in which the partnership described in Section B above operates. According to the Company's assessment, the total investment of the Limited Partners in the additional partnership will amount to approximately EUR 400 million. As of the date of publication of the Financial Statements, investment commitments have been received totalling approximately EUR 246 million (the share of Fattal Properties (Europe) is EUR 100 million). Also, approval was received from another institutional body for joining Partnership III in the amount of approximately EUR 50 million and the joining documents are in the process of being signed. Partnership III is working to recruit additional investors.

In July 2023, Fattal Properties (Europe) signed an agreement to purchase a 59-room hotel in Paris, France, which was completed in December 2023. In addition, an agreement was signed to purchase 2 hotels in San Sebastian, Spain (142 rooms). Until the end of 2023, Fattal Properties (Europe) paid an advance amounting to about EUR 3 million. The transaction was completed in February 2024. The Company assigned the above two purchases to the new Partnership as described above.

Also, at the beginning of 2024, Partnership III signed three more deals – purchase of a hotel in Rome, Italy (292 rooms), purchase of a hotel in Hamburg, Germany (94 rooms) and establishment of a hotel in Berlin, Germany (169 rooms).

Shortly after the establishment of Partnership III and up to the date of signing the report, there was a call for money in a total amount of about EUR 56 million (the share of Fattal Properties (Europe) is about EUR 23 million).

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement

2023

	Land and buildings (b) (c)	Furniture and equipment	Operating equipment	Leasehold improvements	Total
	NIS (In thousands)				
Cost:					
Balance at January 1, 2023	6,351,237	2,157,133	98,834	472,482	9,079,686
Additions during the year	141,528	359,070	13,623	146,676	660,897
Revaluation recognized in other comprehensive income	391,241	-	-	-	391,241
Entry into consolidation including advanced paid on previous years	312,779	-	-	-	312,779
Impairment of fixed assets	(6,012)	-	-	-	(6,012)
Reclassification to a property held for sale	(40,033)	(2,358)	-	-	(42,391)
Adjustments arising from translating financial statements	278,293	119,088	-	175	397,556
Balance at December 31, 2023	7,429,033	2,632,933	112,457	619,333	10,793,756
Accumulated depreciation:					
Balance at January 1, 2023	1,042,389	1,146,719	91,003	125,205	2,405,316
Additions during the year	89,793	186,162	12,545	42,907	331,407
Depreciation of revaluation	38,760	-	-	-	38,760
Adjustments arising from translating financial statements	45,941	59,233	-	75	105,249
Reclassification to a property held for sale	(7,222)	(1,070)	-	-	(8,292)
Balance at December 31, 2023	1,209,661	1,391,044	103,548	168,187	2,872,440
Depreciated cost at December 31, 2023	6,219,372	1,241,889	8,909	451,146	7,921,316

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2023

	Land and buildings (b) (c)	Furniture and equipment	Operating equipment	Leasehold improvements	Total
	Convenience translation into Euro (In thousands)				
Cost:					
Balance at January 1, 2023	1,583,218	537,724	24,637	117,779	2,263,358
Additions during the year	35,280	89,508	3,396	36,563	164,747
Revaluation recognized in other comprehensive income	97,527	-	-	-	97,527
Entry into consolidation including advanced paid on previous years	77,969	-	-	-	77,969
Impairment of fixed assets	(1,499)	-	-	-	(1,499)
Reclassification to a property held for sale	(9,979)	(588)	-	-	(10,567)
Adjustments arising from translating financial statements	69,372	29,686	-	44	99,102
Balance at December 31, 2023	1,851,888	656,330	28,033	154,386	2,690,637
Accumulated depreciation:					
Balance at January 1, 2023	259,844	285,851	22,685	31,211	599,591
Additions during the year	22,383	46,406	3,127	10,696	82,612
Depreciation of revaluation	9,662	-	-	-	9,662
Adjustments arising from translating financial statements	11,452	14,765	-	19	26,236
Reclassification to a property held for sale	(1,800)	(267)	-	-	(2,067)
Balance at December 31, 2023	301,541	346,755	25,812	41,926	716,034
Depreciated cost at December 31, 2023	1,550,347	309,575	2,221	112,460	1,974,603

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2022

	Land and buildings (b) (c)	Furniture and equipment	Operating equipment	Leasehold improvements	Total
	NIS (In thousands)				
Cost:					
Balance at January 1, 2022	5,185,026	1,770,568	82,980	430,816	7,469,390
Additions during the year	592,934	269,603	14,174	41,666	918,377
Reclassification from a property held for sale	168,478	8,545	1,680	-	178,703
Revaluation recognized in other comprehensive income	251,972	-	-	-	251,972
Entry into consolidation	-	3,760	-	-	3,760
Cancelation of impairment of fixed assets	2,713	-	-	-	2,713
Adjustments arising from translating financial statements	150,114	104,657	-	-	254,771
Balance at December 31, 2022	6,351,237	2,157,133	98,834	472,482	9,079,686
Accumulated depreciation:					
Balance at January 1, 2022	897,828	910,577	73,464	99,515	1,981,384
Additions during the year	69,674	159,160	9,942	24,188	262,964
Reclassification from a property held for sale	4,559	25,045	7,597	1,502	38,703
Depreciation of revaluation	31,553	-	-	-	31,553
Adjustments arising from translating financial statements	38,775	51,937	-	-	90,712
Balance at December 31, 2022	1,042,389	1,146,719	91,003	125,205	2,405,316
Depreciated cost at December 31, 2022	5,308,848	1,010,414	7,831	347,277	6,674,370

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

b. Additional information regarding land:

Some of the Company's hotels in Israel, the book value of which totals, as of December 31, 2023, an amount of approximately NIS 1.9 billion (2022 – approximately NIS 1.7 billion), are built upon land leased from the Israel Land Authority for a period of 49 years, ending in 2047, with an option for extension by 49 additional years.

c. Information regarding fair value of property, plant and equipment:

1. The Group has adopted the revaluation model with regard to land and buildings. The fair value of the property, plant and equipment which has been revalued is determined by external independent appraisers. The fair value is determined based on the discounted cash flow method (DCF) based on the discounting estimate of the future cash flows from each asset owned by the Group while examining similar transactions made, as far as possible. In the computation of the fair value, the appraisers used mainly a discount rate of 7.25%-8.5% with regard to assets in Israel (2022 – 7%-8.25%), and a discount rate of 6.4% (2022 – 5.31%) with regard to assets in Europe.

2. All fair valuations are made by using Level 3 of the fair value hierarchy, as defined in IFRS 13.

3. The following are unobservable principal data used by the appraisers in determining the fair value of the land and buildings owned by the Group.

   a) Forecast of operating income of the hotel operated on the land and buildings, from which derives the discounted cash flows.

   b) A specific discount rate for each asset according to its condition, location and the specific risks of that asset.

   c) Investments required for renovation.

   d) Other factors, such as building rights, planning and legal status, transactions in the area and more.

4. Effect of the significant unobservable factors on the fair value:

   A decrease (increase) in the discount rate of forecast cash flows by approximately 0.25% will increase (decrease) the value of the assets in an amount of approximately NIS 253.1/(264.9) million.

5. The Group has determined that the revaluation of the properties will be carried out once a year, or at longer periods of time in respect of certain properties, the value of which is not expected to change materially.

NOTE 10:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

The Company updated the value of the fixed assets as of December 31, 2023 in accordance with valuation updates received from the appraisers, and according to which it recorded an increase in total value of approximately NIS 385 million, of which a total of approximately NIS 391 million was reflected in a revaluation capital fund (before the effect of tax) and about NIS 6 million were recognized under Other expenses in the income statement as a provision for impairment. In addition, the Company's share in the revaluation capital fund in investee companies presented according to the equity method is in the amount of approximately NIS 208 million. The increase in the fair value was mainly due to the recovery of the industry from the Corona pandemic and an improvement in the results of the hotels.

d. As for liens, see Note 21.

NOTE 11:- SHORT-TERM CREDIT FROM BANKS AND OTHERS

a. Composition

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Short-term credit from banks	36,576	35,926	8,956
Current maturities of long-term loans	671,018	403,926	100,689
	707,594	439,852	109,645

b. As for collaterals, see Note 21.

c. As for financial covenants, see Note 14b.

NOTE 12:- TRADE PAYABLES

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Open accounts	262,527	243,184	60,620
Notes payable	20,045	27,105	6,757
	282,572	270,289	67,377

NOTE 13:- OTHER ACCOUNTS PAYABLE

	December 31, 2022	December 31, 2023	Convenience translation December 31, 2023
	NIS	NIS	Euro
	(In thousands)		
Accrued expenses	407,980	420,078	104,716
Salaries and related expenses *)	169,407	203,562	50,743
Advance payments from customers	148,897	203,162	50,644
Interest payable	45,041	35,621	8,879
Institutions	18,561	17,266	4,304
Financial derivatives	-	14,016	3,494
Club members	11,713	8,189	2,041
The Chain Hotels	299	-	-
Others	77,072	94,138	23,467
	878,970	996,032	248,288
*) Includes accrued vacation and convalescence	37,675	35,978	8,968

NOTE 14:- LOANS FROM BANKS AND OTHERS

a. Composition:

	Annual interest rate *)	December 31, 2022 Balance	December 31, 2022 Balance, net of current maturities	December 31, 2023 Balance	December 31, 2023 Balance, net of current maturities	Convenience translation December 31, 2023 Balance	Convenience translation December 31, 2023 Balance, net of current maturities
	%	NIS	NIS	NIS	NIS	Euro	Euro
		(In thousands)					
Unlinked **)	7.20	1,113,899	767,277	945,885	804,202	235,787	200,469
Linked to Israeli CPI	2.17	601,892	524,203	592,215	469,972	147,626	117,153
Linked to US dollar/in US dollar ***)	8.26	95,625	77,600	81,694	66,621	20,364	16,607
Linked to Euro/in Euro	5.14	1,299,392	1,074,527	1,878,412	1,755,703	468,245	437,657
Linked to GBP/in GBP***)	8.16	250,539	246,722	294,487	292,269	73,409	72,856
Total		3,361,347	2,690,329	3,792,693	3,388,767	945,431	844,742

*) Weighted average rate as of December 31, 2023.

**) As of December 31, 2023 about NIS 906 million of the balance bears variable interest.

***) The balance bears variable interest.

NOTE 14:- LOANS FROM BANKS AND OTHERS (Cont.)

b. Financial covenants:

1. Some of the loan documents from banking corporations contain undertakings which include, inter alia, an undertaking to comply with financial covenants, the most important of which are:

   The Company:

   a) Commitment to Shareholders' Equity - the Shareholders' Equity of the Company will not be less than NIS 1,400 million for two consecutive quarters;

   b) The ratio of Financial Debt to Net CAP as defined in the agreements - the ratio of Net Financial Debt to Net Cap will not exceed 76% for two consecutive quarters;

   c) The ratio of Net Financial Debt to Adjusted EBITDA as defined in the agreements - in 2023 the ratio of Net Financial Debt to Adjusted EBITDA will not exceed 8.5 for two consecutive quarters;

      In the years 2024 and 2025 onwards the ratio shall not exceed 8.25 and 8, respectively for two consecutive quarters;

   Fattal Hotels:

   a) Commitment to Shareholders' Equity - the Shareholders' Equity of Fattal Hotels will not be less than the amount of NIS 1,100 million for two consecutive quarters;

   b) The ratio of Financial Debt to Net CAP as defined in the agreements - the ratio of Net Financial Debt to Net CAP of Fattal Hotels shall not exceed 76% for two consecutive quarters;

   c) The ratio of Net Financial Debt to Adjusted EBITDA as defined in the agreements - in 2023 the ratio between Net Financial Debt and the Adjusted EBITDA of Fattal Hotels will not exceed 8.5 for two consecutive quarters;

      In the years 2024 and 2025 onwards the ratio shall not exceed 8.25 and 8, respectively for two consecutive quarters;

NOTE 14:- LOANS FROM BANKS AND OTHERS (Cont.)

Fattal Properties (Europe):

a) An undertaking relating to equity – At any time, the equity of Fattal Properties (Europe) shall not be less than an amount equal to 22.5% of the total assets.

b) An undertaking relating to equity - At any time, the equity of Fattal Properties (Europe) shall not be less than Euro 120 million.

c) Ratio of debt to net operating income – The ratio of net financial debt to adjusted net operating income, as defined in the trust deed, shall not exceed 17.

2. Pursuant to loan agreements that the Group assumed in order to acquire hotels in Germany, the borrowing companies undertook to comply with a loan-to-value (LTV) in various ratios between 57.5%-75%, leverage ratios and debt service coverage ratios.

In addition, Fattal Hotels has undertaken to comply with certain financial covenants with respect to loans taken by companies accounted for on equity basis.

As of December 31, 2023, the Group complies with all of the financial covenants which it undertook.

c. For details of the Company's exposure to loans bearing variable interest, see Note 17a.

d. As for collaterals given, see Note 21.

NOTE 15:- DEBENTURES

						Convenience translation	
		December 31,				December 31,	
		2022		2023		2023	
	Annual interest rate *)	Balance	Balance, net of current maturities	Balance	Balance, net of current maturities	Balance	Balance, net of current maturities
	%	NIS				Euro	
		(In thousands)					
Debentures (1)	2.72	1,499,446	1,290,295	1,552,397	1,281,859	386,977	319,538
Debentures of an investee company (2)	4.4	1,188,433	944,644	1,322,353	1,056,568	329,632	263,378
Total		2,687,879	2,234,939	2,874,750	2,338,427	716,609	582,916

*) Weighted average rate as of December 31, 2023.

NOTE 15:- DEBENTURES (Cont.)

	Bonds in the Company			
	Bonds (Series B)	**Bonds (Series C)**	**Convertible Bonds (Series1)**	**Bonds (Series D)**
Date of initial offering of the series / dates of expansion during the year	1. June, 2018 2. October, 2018 (Series expansion) 3. January 2019 (Series expansion) 4. June, 2019 (Series expansion) 5. January 2021 (conversion following an exchange purchase offer) 6. February 2023 (Series expansion)	1. December, 2019 2. January 2021 (extension following an exchange purchase offer) 3. April, 2021 4. January 2022 (Series expansion)	November, 2020	1. July 2022 2. November 2023
Nominal value at the date of issue / expansion (NIS thousands)	1. 255,840 2. 200,000 3. 125,828 4. 150,000 5. (266,937) 6. 150,000	1. 229,021 2. 289,627 3. 204,000 4. 300,000	300,000	1. 260,000 2. 200,000
Total nominal value of bonds in circulation at December 31, 2023 (NIS thousands)	316,817	775,209	12,808	460,000
Issuance expenses (NIS thousands)	5,307	6,366	1,885	3,560
Liability value in the financial statements at December 31, 2023 (NIS thousands)	310,563	756,188	10,947	472,682
Nominal rate of interest	3.25% (*)	2.16% (*)	4.00%	3.25%
	(*)Regarding a temporary change in the interest rate, see Note 15 (1) below.			
Effective interest rate of the entire series (including expansions made)	1. 3.45% 2. 3.11% 3. 3.89% 4. 2.43% 5. 6.31% - February 2023	1. 2.32% 2. 2.79% 3. 3.57% 4. 2.90%	7.61% After taking onto account the conversion component at the date of the issuance	1. 3.45% 2. 4.25%
Principal repayment dates	31/12/2020-31/12/2026 13 unequal semi-annual installments	28/02/2021-31/08/2031 22 unequal semi-annual installments	15/05/2021-15/05/2028 15 unequal semi-annual installments	30/06/2024-31/12/2032 18 unequal semi-annual installments
Linkage basis (principal and interest)	Unlinked	Unlinked	Unlinked	Linked
Financial covenants	The main points of the criteria set forth in the issue of (Series B) bonds are: (1) The ratio of equity to total balance sheet shall not be less than 22.5% (2) The ratio of net debt of the Company to EBITDA, as defined in the trust deed shall not exceed 8. (3) The Company's shareholders' equity shall not be less than NIS 1,250 million.	The main points of the criteria set forth in the issue of (Series C) bonds are: (1) The Company's shareholders' equity shall not be less than NIS 1,400 million. (2) The ratio of adjusted net financial debt to CAP, as defined in trust deed, shall not exceed 76%. (3) The Company's EBIDTA shall not be less than NIS 700 million.	The main points of the criteria set forth in the issue of (Series 1) bonds are: (1) The Company's shareholders' equity shall not be less than NIS 1,400 million. (2) The ratio of adjusted net financial debt to CAP, as defined in trust deed, shall not exceed 76%.	The main points of the criteria set forth in the issue of (Series D) bonds are: (1) The Company's shareholders' equity shall not be less than NIS 1,370 million. (2) The ratio of adjusted net financial debt to CAP, as defined in trust deed, shall not exceed 76%.

NOTE 15:- DEBENTURES (Cont.)

	Bonds in an investee company			
	Bonds (Series A)	Bonds (Series C)	Bonds (Series D)	Bonds (Series E)
Date of issue	1. February 2016 2. April 2016 (Series expansion) 3. September 2016 (Series expansion 4. January 2017 (Series expansion) 5. December 2022 (Series expansion)	1. September 2017 2. November 2017 (Series expansion) 3. March 2019 (Series expansion) 4. February 2020 (Series expansion) September 2022 (Series expansion)	1. August 2. November 2017 (Series expansion) 3. March 2019 (Series expansion) 4. February 2020 (Series expansion) 5. September 2022 (Series expansion)	August 2020
Nominal value on issue date (NIS thousands)	595,000	215,260	698,679	250,000
Total nominal value of bonds in circulation at December 31, 2023 (NIS thousands)	287,580	139,919	546,976	231,250
Balance of issue expenses as of December 31, 2023 (NIS thousands)	5,082	1,755	1,384	2,520
Liability value in the financial statements as of December 31, 2023 (NIS thousands)	75,787	37,155	142,721	60,908
Nominal interest rate	3.5%	2.65%	4.99%	6.37%
Hedging transaction	During the period of the Report, the Company carried out full hedging transactions with banking corporations on Bonds Series C, D and E in which the Shekel debt (principal and interest) was converted into Euro debt, so that whenever interest and/or principal is paid by the banking corporation in Israel shekels, an amount in Euros is received, as determined at the time of the hedging transaction. After the execution of the aforementioned transactions, the balance of the Bonds from all the series that remained unhedged as of the date of signing the report is NIS 459 million.			
Principal repayment dates	15/08/2017-15/08/2025 17 unequal semi-annual payments	30/06/2019-30/06/2026 15 unequal semi-annual payments	30/08/2018-30/08/2027 10 unequal annual payments	30/09/2022-30/09/2026 9 unequal semi-annual payments
Linkage basis (principal and interest)	Unlinked	Unlinked	Unlinked	Unlinked
Financial covenants	The main points of the criteria set forth in the issue of bonds (Series A): (1) The ratio of equity to the balance sheet shall not be less than 22.5%. (2) The ratio of adjusted net financial debt to adjusted net operating income, as defined in trust deed, shall not exceed 17. (3) The shareholders' equity of Fattal Properties (Europe) shall not be less than Euro 100 million.	The principle is the same as the criteria established in the issuance of Bonds (Series A) with the exception of what is detailed below: Commitment to maintain minimum capital - the shareholders' equity of Fatal Properties (Europe) will not be less than EUR 120 million.	The main points of the criteria set forth in the issuance of Bonds (Series D): (1) The ratio of equity to the balance sheet shall not be less than 23.5%. (2) The ratio of adjusted net financial debt to adjusted net operating income, as defined in trust deed, shall not exceed 16. (3) The shareholders' equity of Fattal Properties (Europe) shall not be less than Euro 205 million. (4) The loan to value ratio shall not exceed 77.5%.	The main points of the criteria set forth in the issue of bonds (Series E): (1) The ratio of equity to the balance sheet shall not be less than 23.5%. (2) The ratio of adjusted net financial debt to adjusted net operating income, as defined in trust deed, shall not exceed 16. (3) The shareholders' equity of Fattal Properties (Europe) shall not be less than Euro 220 million.

NOTE 15:- DEBENTURES (Cont.)

(1) Bonds in the Company.

(*) Bonds (Series B):

In addition to the criteria set forth above, a mechanism was provided in the trust deed, for adjusting the interest rate (up to an additional interest ceiling of 1.5%) in accordance with the change in the rating of the bonds and in the event of a breach of the following financial covenants:

1. Ratio of equity to total assets shall not fall below 26%.
2. Ratio of net financial debt to EBITDA, as defined in the trust deed, shall not exceed 6.5.
3. The Company's shareholders' equity shall not be less than NIS 1,750 million.

Dividend distribution restriction – The Company undertook that it will not make a distribution of 50% of the profits available for distribution (as defined in the trust deed) and taking into account the following restrictions:

a. The Company's consolidated shareholders' equity (including minority interests) at the end of the last quarter prior to the distribution of the dividend, net of the dividend to be distributed, shall not be less than NIS 1,750 million.
b. The ratio of equity to total assets shall not be less than 22.5%
c. The ratio of net financial debt to EBITDA, as defined in the trust deed, shall not exceed 8.
d. At the date of the Board of Directors resolution, there are no grounds in the Company for immediate repayment of the bonds.

The Company's compliance with the financial criteria set forth in the trust deed will be considered according to the accounting standards to which the Company was subject in the consolidated financial statements as of December 31, 2017 and in the quarterly financial statements as of March 31, 2018.

(*) Bonds (Series C):

In addition to the criteria set forth above, a mechanism was provided in the trust deed, for adjusting the interest rate (up to an additional interest ceiling of 1.5%) in accordance with the change in the rating of the bonds and in the event of a breach of the following financial covenants:

1. The Company's shareholder's equity shall not be less than NIS 1,600 million.
2. Net financial debt ratio, adjusted to NET CAP, as defined in the trust deed, shall not exceed 74%.
3. The Company's EBITDA shall not be less than NIS 800 million.

NOTE 15:- DEBENTURES (Cont.)

Dividend distribution restriction – The Company undertook that it will not make a distribution of 50% of the profits available for distribution (as defined in the trust deed) and taking into account the following restrictions:

a. The Company's consolidated shareholders' equity (including minority interests) at the end of the last quarter prior to the distribution of the dividend, net of the dividend to be distributed, shall not be less than NIS 1,600 million.
b. Net financial debt ratio, adjusted to NET CAP as defined in the trust deed, shall not exceed 76%.
c. The Company's EBITDA shall not be less than NIS 700 million.
d. At the date of the Board of Directors resolution, there are no grounds in the Company for immediate repayment of the bonds.

The Company's compliance with the financial criteria set forth in the trust deed will be considered according to the accounting standards to which the Company was subject in the quarterly financial statements as of September 30, 2019.

On November 18, 2021, Midroog announced the raising of the Company's issuer rating and the rating of the Company's Bonds, Series B and Series C, in circulation from a Baa1.il rating with a negative outlook to an A3.il rating with a stable outlook. As a result, the annual interest rate was reduced by 0.25% starting from the date of the rating increase.
On October 20, 2022, Midroog announced the raising of the company's issuer rating and the rating of the company's Series B and Series C in circulation from A3.il rating with a stable outlook to A3.il rating with a positive outlook.
On September 28, 2023, Midroog announced the raising of the company's issuer rating and the rating of the company's Series B and Series C in circulation from A3.il rating with a positive outlook to A2.il rating with a stable outlook. As a result, the annual interest rate will be reduced by 0.5% and will return to the original nominal interest rate starting from the date of the rating increase.

(*) Convertible Bonds (Series 1):

Each of the bonds can be converted in the manner specified below: (1) In the period from the date of listing of the series of bonds for trading on the Tel Aviv Stock Exchange until May 5, 2023, each NIS 305 par value of the bonds are convertible into one ordinary share with no par value of the Company; (2) In the period from May 16, 2023 to May 5, 2028, each NIS 430 par value of the bonds can be converted into one ordinary share with no par value of the Company.

NOTE 15:- DEBENTURES (Cont.)

In addition to the criteria set forth above, a mechanism was provided in the trust deed, for adjusting the interest rate (up to an additional interest ceiling of 1.5%) in accordance with the change in the rating of the bonds and in the event of a breach of the following financial covenants:

1. The Company's shareholder's equity shall not be less than NIS 1,600 million.
2. Net financial debt ratio, adjusted to NET CAP, as defined in the trust deed, shall not exceed 74%.

Dividend distribution restriction – The Company undertook that it will not make a distribution of 50% of the profits available for distribution (as defined in the trust deed) and taking into account the following restrictions:

a. The Company's consolidated shareholders' equity (including minority interests) at the end of the last quarter prior to the distribution of the dividend, net of the dividend to be distributed, shall not be less than NIS 1,600 million.
b. Net financial debt ratio, adjusted to NET CAP as defined in the trust deed, shall not exceed 76%.
c. At the date of the Board of Directors resolution, there are no grounds in the Company for immediate repayment of the bonds.

The Company's compliance with the financial criteria set forth in the trust deed will be considered according to the accounting standards to which the Company was subject in the quarterly financial statements as of June 30, 2020.

In July 2022, as part of the Shelf Offering Report, it was proposed to all the Holders of Bonds (Series 1) of the Company to purchase up to NIS 278,801,653 of Bonds (Series 1) held by them (which at the time of publication of the Shelf Offering Report constituted 100% of the total par value of the Bonds (Series 1) in circulation), by way of an Exchange Purchase Offer, in exchange for the issuance of ordinary shares with no par value of the Company, in such a way that for every NIS 1 of Bonds (Series 1) to be purchased by the Company, the Company will issue 0.00345 Ordinary Shares.
154,460,804 Bonds (Series 1) were accepted for the Exchange Purchase Offer, which is about 55.4% of the total Bonds (Series 1) in circulation. Accordingly, and according to the terms of the Exchange Purchase Offer, the Company allocated 532,890 ordinary shares. As a result of the Exchange Purchase Offer, the Company incurred financing expenses in the Statement of Profit and Loss in the amount of approximately NIS 10 million in 2022. Until close to the date of approval of the Financial Statements, 285,444,736 Bonds (Series 1) which constitute about 95% of the total Bonds (Series 1) in circulation, were converted into 962,346 ordinary shares and 1,746,632 par value were paid in accordance with the terms of the Trust Deed. The rest of the Bonds (Series 1) in circulation (12,808,632 par value) can be converted into Company shares until May 5, 2028, so that every NIS 430 par value of the Bonds can be converted into one Ordinary Share of the Company with no par value.

NOTE 15:- DEBENTURES (Cont.)

(*) Bonds (Series D):

In addition to the criteria set forth above, a mechanism was provided in the trust deed, for adjusting the interest rate (up to an additional interest ceiling of 1.25%) in accordance with the change in the rating of the bonds and in the event of a breach of the following financial covenants:

1. The Company's shareholder's equity shall not be less than NIS 1,570 million.
2. Net financial debt ratio, adjusted to NET CAP, as defined in the trust deed, shall not exceed 74%.
3. The ratio of net financial debt to EBITDA, as defined in the Trust Deed, shall not exceed 10.

Dividend distribution restriction – The Company undertook that it will not make a distribution of 50% of the profits available for distribution (as defined in the trust deed) and taking into account the following restrictions:

a. The Company's consolidated shareholders' equity (including minority interests) at the end of the last quarter prior to the distribution of the dividend, net of the dividend to be distributed, shall not be less than NIS 1,800 million.
b. The ratio of net financial debt to EBITDA, as defined in the trust deed, shall not exceed 10.
c. At the date of the Board of Directors resolution, there are no grounds in the Company for immediate repayment of the bonds.

The Company's compliance with the financial criteria set forth in the trust deed will be considered according to the accounting standards to which the Company was subject in the quarterly financial statements as of March 31, 2022.

As of the balance sheet date, the Company is in compliance with the financial criteria to which it is committed.

(*) Bonds (Series E):

On February 7, 2024, the Company issued to the public NIS 210,343 thousand Bonds par value (Series E) of NIS 1 par value each of the Company, listed for trading, for a gross cash consideration of NIS 210,343 thousand (before deduction of issue costs in the amount of about NIS 2 million). The Bonds are not linked and bear annual interest at a fixed rate of 6.33%. The above series is repayable in 12 semi-annual payments on February 28 and August 31 of each of the years 2027 to 2032 (inclusive) starting on February 28, 2027, in such a way that each of the first ten payments will constitute 8% of the total par value of the bonds, and each of the last two payments will constitute 10% of the total par value of the bonds. As part of the issuance, the Company committed to financial benchmarks, the main of which are as follows:

1. The ratio of adjusted net financial debt to adjusted EBITDA, as defined in the Trust Deed, shall not exceed 9.
2. The Company's shareholders' equity will not be less than NIS 2,100 million.

NOTE 15:- DEBENTURES (Cont.)

(2) Bonds in Investee Company.

(*) Bonds (Series A):

In addition to the criteria set forth above, the trust deed provides a mechanism for adjusting the interest rate (up to a ceiling of 1.5%) in accordance with a change in the rating of the bonds and in the event of a breach of the following financial covenants:

1. The ratio of equity to total assets shall not be less than 26%.
2. The ratio of the adjusted net financial debt to adjusted net operating income, as defined in the trust deed, shall not exceed 15.
3. Fattal Properties (Europe) consolidated shareholders' equity shall not be less than Euro 120 million.

Dividend distribution limit – Fattal Properties (Europe) has undertaken not to make a distribution that exceeds 50% of the distributable earnings, (as defined in the trust deed), and taking into account the following restrictions:

a. Fattal Properties (Europe) consolidated shareholders' equity (including minority interests) at the end of the last quarter before the distribution of the dividend, net of the distributed dividend, shall not be less than Euro 120 million.
b. The ratio of equity to total assets shall not be less than 28%.
c There are no grounds for immediate repayment of the bonds (Series A).
d. On the date of the Board of Directors' resolution to distribute a dividend, there are no grounds in the Company for immediate repayment of the bonds.

(*) Bonds (Series C)::

In addition to the criteria set forth above, the trust deed provides a mechanism for adjusting the interest rate (up to a ceiling of 1.5%) in accordance with a change in the rating of the bonds and in the event of a breach of the following financial covenants:

1. The ratio of equity to total assets shall not be less than 26%.
2. The ratio of the adjusted net financial debt to adjusted net operating income, as defined in the trust deed, shall not exceed 15.
3. Fattal Properties (Europe) consolidated shareholders' equity shall not be less than Euro 130 million.

Dividend distribution limit – Fattal Properties (Europe) has undertaken not to make a distribution that exceeds 50% of the distributable earnings, (as defined in the trust deed), and taking into account the following restrictions:

a. Fattal Properties (Europe) consolidated shareholders' equity (including minority interests) at the end of the last quarter before the distribution of the dividend, net of the distributed dividend, shall not be less than Euro 140 million.
b. The ratio of equity to total assets shall not be less than 28%.

NOTE 15:- DEBENTURES (Cont.)

(*) Bonds (Series D):

As collateral to ensure the full and accurate existence of all Fattal Properties (Europe) liabilities under the Bonds (Series D) and the Bonds (Series D) Trust Deed, Fattal Properties (Europe) undertook to cause each of the property corporations and holding corporations to create and register the collateral for the Trustee in connection with the Leonardo Hotel Edinburgh Murrayfield, Leonardo Hotel Edinburgh City, Leonardo Inn Glasgow West End, Leonardo Boutique Budapest M-Square, Apollo Hotel Almere City Center, Apollo Hotel Lelystad City Center and Corpus Christi Lisbon properties. It is clarified that in the event of an expansion of the Bonds (Series D), the collateral will be amended so that it also secures the debt that will accrue in respect of the increase in the additional Bonds (Series D) in favor of the Trustee (as Trustee of the bondholders (Series D), as specified in the Mortgages Appendix.

As collateral for ensuring the full and accurate existence of all liabilities of Fattal Properties (Europe) under the bonds (Series D), the following were created and registered in favor of the Trustee:

(1) First-degree mortgage unlimited in amount on the full rights of the property corporations in the mortgaged properties (in respect of the mortgaged properties in Scotland and Hungary) and limited in amount (in respect of the mortgaged properties in the Netherlands and Portugal).

(2) First-degree lien unlimited in amount in the amount on the full rights of the property corporations (in respect of the mortgaged properties in the Netherlands and Hungary) in the lease agreements and first-degree lien unlimited in amount (in respect of the mortgaged properties in Hungary and the Netherlands) and limited in amount (in respect of mortgaged properties in Portugal) on insurance receipts by virtue of all insurances applicable to the property.

(3) Assignment of Rents (in respect of the mortgaged properties in Scotland) – assignment to the Trustee by way of collateral of all amounts received, will or may be received on the date of their payment to the property corporations in Scotland by the tenants under the leases on the mortgaged properties in Scotland.

(4) Assignment by way of collateral (in respect of the mortgaged property in Portugal) limited in amount – assignment to the Trustee by way of collateral of all receipts that the property corporation may be entitled to receive in the future under any lease agreement to which the property corporation is a party and all property corporation rights deriving from the aforesaid leasing agreement (If and to the extent that it is signed) in addition to all receipts which the property corporation may be entitled to receive in the future under the insurance policies which the property corporation will enter into in the future in relation to the property.

(5) Irrevocable and unconditional guarantee by each of the property corporations in favor of the Trustee, unlimited in amount (in respect of the property corporations in Scotland, the Netherlands and Hungary) and limited in amount (in respect of the property corporation in Portugal).

(6) First-degree fixed lien on all (100%) of the shares of the property corporations as well as all the rights attached to the shares, including but not limited to, the dividend amounts, bonus shares, voting rights, etc.

NOTE 15:- DEBENTURES (Cont.)

In addition to the financial criteria listed above, the Bonds Series Trust Deed sets out a mechanism for adjusting the interest rate in accordance with the change in the rating of the bonds and in the event of a breach of the following financial criteria:

1. The ratio of equity to balance sheet shall not be less than 28%.
2. The ratio of adjusted net financial debt to adjusted NOI, as defined in the Trust Deed, shall not exceed 15.5.
3. The shareholders' equity of Fattal Properties (Europe) will not be less than EUR 230 million.
4. The ratio of the loan to the collateral shall not exceed -
   a) 70% - as long as the construction of the hotel in the CORPUS CHRISTI property and its delivery to the tenant has not yet been completed;
   b) 72.5% - and this 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) undertakes that it will not make a distribution in excess of 50% of the distributable profits and taking into account the definitions and restrictions as defined in the Trust Deed.

(*) <u>Bonds (Series E)</u>:

In addition to the criteria set forth above, the trust deed provides a mechanism for adjusting the interest rate (up to a ceiling of 1.5%) in accordance with a change in the rating of the bonds and in the event of a breach of the following financial covenants:

1. The ratio of equity to total assets shall not be less than 28%.
2. The ratio of the adjusted net financial debt to adjusted net operating income, as defined in the trust deed, shall not exceed 15.5.
3. Fattal Properties (Europe) consolidated shareholders' equity (including minority interests) shall not be less than Euro 245 million.

Dividend distribution limit – Fattal Properties (Europe) has undertaken not to make a distribution that exceeds 50% of the distributable earnings, (as defined in the trust deed), and taking into account the following restrictions:

a. Fattal Properties (Europe) consolidated shareholders' equity (including minority interests) at the end of the last quarter before the distribution of the dividend, net of the distributed dividend, shall not be less than Euro 245 million.
b. The ratio of equity to total assets shall not be less than 28%.
c. There are no grounds for immediate repayment of the bonds (Series E), including after distribution.

As of the balance sheet date, Fatal Properties (Europe) meets the financial standards set out in the Trust Deeds of all the Bonds it has issued.

NOTE 16:- LEASES

The Company has lease agreements that include leases of hotels used for maintaining the Company's ongoing activity.

The lease agreements are for a period ranging from 5 to 35 years. Some of the lease agreements that the Company entered include options for extension and/or cancellation, as well as variable lease payments.

In addition, some of the Company's hotels in Israel are on land under a lease from the Israel Lands Administration discounted for a period of 49 years until 2047. The Company has an option to extend the lease period by an additional 49 years. See also Note 10 above.

a. Information about lease:

	December 31, 2022	December 31, 2023	
	NIS	NIS	Euro
		(In thousands)	
Total cash outflow for leases	1,095,592	1,372,663	342,173

b. Variable lease payments:

Some of the lease contracts of the hotels used by the Company include lease payments that vary according to turnover and/or operating profit deriving from the specific hotel. The Company's objective in entering into lease agreements that include variable lease payments is to align the lease expense to the revenue of the hotel, and thereby reduce the fixed costs deriving from operation of the hotel.

The following provides information on the lease payments for the store leases that contain fixed and variable payments:

	December 31, 2022	December 31, 2023	
	NIS	NIS	Euro
		(In thousands)	
Fixed lease payments	320,863	368,925	91,965
Variable lease payments	89,283	137,118	34,180
Total lease payments	410,146	506,043	126,145

NOTE 16:- LEASES (Cont.)

c. Lease extension and termination options:

The Company has lease agreements that include extension options as well as termination options. These options provide the Company with flexibility in management of the lease transactions and adjustment to the Company's business needs. The Company exercises significant judgement in deciding whether it is reasonably certain that extension and termination options will be exercised.

In lease agreements that include non-cancellable lease periods of 5 to 10 years, the Company included, as part of the lease period, exercise of the extension options pursuant to the agreements. In these lease agreements, the Company usually exercises extension options to avoid a significant adverse impact to its operating activities in the event that an alternative asset is not available immediately upon termination of the noncancelable lease period.

In lease agreements that contain non-cancellable lease periods of 10 to 35 years, the Company did not include, as part of the lease period, exercise of the extension options, since the Company does not expect that it would likely exercise such options.

NOTE 16:- LEASES (Cont.)

d. Disclosures on right-of-use assets:

2023

	Hotels	
	December 31, 2023	
	NIS	Euro
	(In thousands)	
Cost:		
Balance as of January 1, 2023	14,284,770	3,560,866
Additions during the year:		
Additions to usage right properties due to new leases during the period	420,945	104,932
Adjustments for indexation	501,861	125,102
Adjustments for changes in lease terms	119,570	29,806
Adjustments arising from translating financial statements of foreign operations	1,011,216	252,073
Disposals during the year:		
Disposals from right-of-use assets due to leases terminated during the period	(32,484)	(8,098)
Balance as of December 31, 2023	16,305,878	4,064,681
Accumulated depreciation:		
Balance as of January 1, 2023	2,468,711	615,393
Additions during the year:		
Depreciation and amortizations	776,825	193,645
Adjustments arising from translating financial statements of foreign operations	155,469	38,754
Disposals during the year:		
Disposals from right-of-use assets	(32,484)	(8,098)
Balance as of December 31, 2023	3,368,521	839,694
Depreciated cost at December 31, 2023	12,937,357	3,224,987

2022

	Hotels
	December 31, 2022
	NIS
	(In thousands)
Cost:	
Balance as of January 1, 2022	12,876,471
Additions during the year:	
Additions to usage right properties due to new leases during the period	760,714
Adjustments for indexation	285,106
Adjustments for changes in lease terms	(2,818)
Adjustments arising from translating financial statements of foreign operations	365,297
Balance as of December 31, 2022	14,284,770
Accumulated depreciation:	
Balance as of January 1, 2022	1,731,051
Additions during the year:	
Depreciation and amortizations	671,394
Adjustments arising from translating financial statements of foreign operations	66,266
Balance as of December 31, 2023	2,468,711
Depreciated cost at December 31, 2023	11,816,059

e. For an analysis of maturity dates of lease liabilities, see Note 17b.

NOTE 17:- FINANCIAL INSTRUMENTS

a. Financial risks factors:

The Group's activities expose it to various financial risks, such as market risks (foreign currency risk, Israeli CPI risk and interest risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities to reduce to a minimum any possible adverse effects on the Group's financial performance. The Group uses derivatives in order to hedge certain exposures to risks.

Market risks:

- Foreign currency risk:

  The Group operates internationally in a number of countries and is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the euro, the pound sterling and a small amount in U.S. dollar. Foreign exchange risk arises from assets and liabilities recognized which are denominated in foreign currency other than the functional currency and also net investments in foreign operations.

  In 2023, there were significant changes in the foreign currency exchange rates to which the Group is exposed, following the depreciation of these currencies vis-à-vis the Group's functional currency (NIS). Most of the exposure stems from foreign operations whose functional currency are the euro and pound sterling, in respect of which another comprehensive gain totaling NIS 163,566 thousand was recorded (in a capital reserve from adjustments due to financial statements translation) for the period ended on December 31, 2023, from sale transactions denominated in euro and trade payables in respect thereof as well as foreign currency transactions in financial derivatives on the euro and the pound sterling.

  The rates charged by the Group's European hotels are denominated in foreign currency (usually the euro and the pound sterling) as well as their expenses. Accordingly, changes in the exchange rate of foreign currency vis-à-vis the NIS have an effect on the Group's financial results.

  Most of the loans that the Group takes are in foreign currency, such that the fluctuations in the exchange rates have an effect on financial expenses, thus usually mitigating the effect of the change in the exchange rates on the Group's profitability.

  In addition, the Group executes transactions in derivatives in the euro and the pound sterling.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

- Credit risk:

Credit risk is the risk that the counterparty will not meet its obligations as a customer or its obligations arising from a financial instrument and as a result the Group will incur a loss. The Group is exposed to credit risk as a result of its operating activities (mainly customer balances) and its financial activities, including deposits in banks and other financial institutions, foreign exchange transactions and other financial instruments. However, this is not a material credit risk because the obligation to the Group is from the credit companies. The Group also holds cash and cash equivalents and other financial instruments in various high-level financial institutions in Israel, Germany, United Kingdom, Spain, Scotland, the Netherlands and Switzerland.

- Interest risk:

Interest risk is the risk that the fair value or future cash flows from a financial instrument will change as a result of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates mainly to the Group's long-term liabilities bearing variable interest. The Group manages the interest rate risk by using a balance sheet portfolio of variable interest loans and fixed interest loans.

Changes in interest rates and the level of interest in the economy have had an effect on the Group's obligations. The Group has NIS liabilities and in foreign currency at variable interest rates amounting to about NIS 2.1 billion, which constitute about 32% of its total credit, and any change in the interest rate affects its interest payments. In addition, this affects the interest rates of the Group's borrowings in both the banking market and the non-banking market. During the year that ended on December 31, 2023, the basic annual interest rate in the various countries where the Company operates increased by approximately 1.5%-2.5%.
The Group has bonds as well as loans from banking corporations linked to the Consumer Price Index in the amount of about NIS 1 billion , which is about 16% of the total credit. Therefore, an increase in the index will increase the expenses of the linkage differences. The Group continuously analyzes the situation of costs and raises prices at least by the level of inflation in most of the hotels in all the regions according to and subject to levels of demand.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

Interest rate sensitivity analysis:

The table below presents the sensitivity to a reasonably possible change in interest rates on the affected part of loans and credit, after the effect of hedge accounting. When all other variables are unchanged, the effect of changes in interest rates on the Group's pre-tax profit will be as follows:

	Increase/ decrease at the starting point	Effect on the profit before tax	Effect on the profit before tax
		NIS	Euro
		(In thousands)	
2023			
Loans in NIS	+1%	(9,420)	(2,348)
Loans in Pound Sterling	+1%	(2,945)	(734)
Loans in Euro	+1%	(7,999)	(1,994)
Loans in dollar	+1%	(817)	(204)
Loans in NIS	-1%	9,420	2,348
Loans in Pound Sterling	-1%	2,945	734
Loans in Euro	-1%	7,999	1,994
Loans in dollar	-1%	817	204

	Increase/ decrease at the starting point	Effect on the profit before tax
		NIS
		(In thousands)
2022		
Loans in NIS	+1%	(11,077)
Loans in Pound Sterling	+1%	(2,359)
Loans in Euro	+1%	(4,226)
Loans in dollar	+1%	(956)
Loans in NIS	-1%	11,077
Loans in Pound Sterling	-1%	2,359
Loans in Euro	-1%	4,226
Loans in dollar	-1%	956

The estimated movement at the starting point for the sensitivity analysis of the interest rate is based on the observable current market environment.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

b. Concentration of liquidity risk:

The Group's objective is to preserve the existing ratio between the continuing receipt of finance and the existing flexibility through the use of overdrafts, loans from banks and bonds. The Group considers the taking of credit for a long or short term according to the conditions prevailing in the market.

The table below presents the maturity periods of the Group's financial liabilities based on contractual undiscounted payments (including amounts in respect of interest):

December 31, 2023

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total	Convenience translation Total
	NIS							Euro
	(In thousands)							
Trade payables	270,289	-	-	-	-	-	270,289	67,377
Other accounts payable	792,921	-	-	-	-	-	792,921	197,657
Other non-current liabilities	-	29,017	9,882	21,443	21,443	24,218	106,003	26,423
Debentures	629,055	612,323	744,248	475,543	247,496	540,760	3,249,425	810,007
Liabilities from leases of right-of-use assets	1,348,142	1,350,859	1,343,954	1,340,984	1,344,001	16,303,994	23,031,934	5,741,334
Loans from banks and others	627,580	747,505	989,784	689,835	662,378	756,578	4,473,660	1,115,181
	3,667,987	2,739,704	3,087,868	2,527,805	2,275,318	17,625,550	31,924,232	7,957,979

December 31, 2022

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	NIS						
	(In thousands)						
Trade payables	282,572	-	-	-	-	-	282,572
Other accounts payable	730,069	-	-	-	-	-	730,069
Other non-current liabilities	2,033	1,243	1,243	24,308	24,308	27,185	80,320
Debentures	542,846	509,522	499,416	591,360	321,241	570,736	3,035,121
Liabilities from leases of right-of-use assets	1,202,130	1,191,672	1,185,811	1,174,409	1,170,944	14,614,839	20,539,805
Loans from banks and others	825,675	615,731	416,841	798,545	399,600	701,431	3,757,823
	3,585,325	2,318,168	2,103,311	2,588,622	1,916,093	15,914,191	28,425,710

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

c. 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,				Convenience translation December 31,	
	2022		2023		2023	
	Book value(*)	Fair value	Book value(*)	Fair value	Book value (*)	Fair value
	NIS				Euro	
	(In thousands)					
Loans from banking corporations and other liabilities						
Debentures (Level 1 of the fair value hierarchy)	2,737,384	2,540,635	2,897,835	2,806,316	722,364	699,550
Fixed interest loans (Level 3 of the fair value hierarchy)	1,613,524	1,425,138	1,868,730	1,815,224	465,832	452,494
Total	4,350,908	3,965,773	4,766,565	4,621,540	1,188,196	1,152,044

(*) Including interest payable.

NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

d. Changes in liabilities deriving from financing activity:

2023

	January 1, 2023	Cash flows	Effect of changes in exchange rates	Other changes	December 31, 2023
	NIS (In thousands)				
Bonds	2,687,879	230,570	-	(43,699)	2,874,750
Liabilities from leases of right-of-use assets	13,146,796	(515,973)	942,318	1,034,561	14,607,702
Loans from banking corporations	3,397,923	83,309	106,204	241,183	3,828,619
	19,232,598	(202,094)	1,048,522	1,232,045	21,311,071

	January 1, 2023	Cash flows	Effect of changes in exchange rates	Other changes	December 31, 2023
	Euro (In thousands)				
Bonds	670,027	57,476	-	(10,894)	716,609

Liabilities from leases of right-of-use assets	3,277,195	128,620	234,899	257,892	3,641,366
Loans from banking corporations	847,024	20,767	26,474	60,122	954,387
	4,794,246	50,377	261,373	307,120	5,312,362

2022

	January 1, 2022	Cash flows	Effect of changes in exchange rates	Other changes	December 31, 2022
			NIS (In thousands)		
Bonds	2,339,117	502,658	-	(153,896)	2,687,879
Liabilities from leases of right-of-use assets	12,133,725	(351,436)	339,489	1,025,018	13,146,796
Loans from banking corporations	2,769,309	462,575	50,755	115,281	3,397,920
	17,242,151	613,797	390,244	986,403	19,232,595

2021

	January 1, 2021	Cash flows	Effect of changes in exchange rates	Other changes	December 31, 2021
			NIS (In thousands)		
Bonds	2,372,137	(19,787)	-	(13,233)	2,339,117
Liabilities from leases of right-of-use assets	12,541,976	(140,325)	(730,823)	462,897	12,133,725
Loans from banking corporations	3,085,760	(182,274)	(117,000)	(17,177)	2,769,309
	17,999,873	(342,386)	(847,823)	432,487	17,242,151

NOTE 18:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

Post-employment benefits:

According to the labour laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current deposits in defined contribution plans pursuant to section 14 of the Severance Pay Law, as outlined below. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and period of employment which establish the entitlement to receive the compensation. It is noted that the Group companies in Germany do not have such liability, in accordance with German labour laws.

The post-employment employee benefits are normally financed by deposits classified as defined benefit plans or as defined contribution plans, as detailed below.

a. Defined contribution plans

Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the fixed deposits made by the Group in pension funds and/or in policies of insurance companies release the Group from any additional liability to employees in respect of whom the said contributions are made. These deposits and those for compensation represent defined contribution plans.

b. Defined benefit plans

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in central severance pay funds and in appropriate insurance policies.

NOTE 19:- OTHER NON-CURRENT LIABILITIES

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Financial derivatives	3,142	29,543	7,364
Institutions	23,116	18,957	4,726
Liability in respect of lease	17,058	1,914	477
Tax payable	12,620	-	-
Others	34,474	46,706	11,643
	90,410	97,120	24,210

NOTE 20:- CONTINGENT LIABILITIES AND COMMITMENTS

a. Contingent liabilities:

1. a) The southern part of the Dead Sea is used by the Dead Sea Works as artificial evaporation ponds to which seawater is pumped from the northern end of the Dead Sea. Over the years, several hotels have been built in the area, among which 4 hotels in which the Group or associate companies have rights. In view of the danger of flooding of the hotels due to the rise of the water level, the protective measures surrounding the ponds are occasionally elevated.

To the best of the Group's knowledge, Dead Sea Works is due to start carrying out the works of "harvesting the salt" and thus lowering of water level no additional cost to the hotels.

b) The insurance companies do not cover in the insurance policies damages caused by the phenomenon of "swallow-holes" in the Dead Sea area. Consequently, the insurance market currently offers no possibilities for insuring the "swallow-hole" phenomenon, which represents the market practice.

2. Various claims have been filed against the Group by third parties in a total amount of approximately NIS 24 million. In the estimation of Company Management, based on, among other things, the opinion of its legal advisors, the chances of the claims being accepted are lower than the chances of being rejected and therefore no provision was included for these claims.

3. A lawsuit was filed against several companies in the Group on March 19, 2019, along with a motion for its approval as a class action, regarding a violation of recreation rights. On February 7, 2022, the motion to file a class action lawsuit was approved. In the opinion of Management based on the opinion of the Group's legal advisors, it is not possible to assess the chances of claims at this stage and therefore the provision was not included in the financial statements.

4. As of the date of signing the report, 7 claims had been filed against the Group, with requests for them to be recognized as class actions, concerning operating matters (for example, room size, misleading prices, privacy protection and the like). Based on the opinion of the Group’s legal advisors that it is not possible to evaluate the prospects of the claim at this stage, and no provision has been made in the financial statements.

NOTE 20:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

b. Below is a table of the commitments of the Company during the reporting period regarding the opening of new hotels in Israel and Europe:

Property location	Transaction date	Transaction type	No. of rooms	Percentage holding	Annual Rent	Expected date of opening
Tutzing, Germany	June, 2023	Leased	144	100%	About EUR 1.5 million	2026
Berlin, Germany	August, 2023	Leased	256	100%	About EUR 4.4 million	2024
Carmel, Israel	September, 2023	Management 100%	90	100%	-	2027
Bad Windsheim, Germany	December, 2023	Leased	190	100%	About EUR 1.2 million	2026

(*) For more details about the purchase of hotels through an investee partnership, see Section 9b and 9c.

1. During November 2022, an investee company (100% holding) entered into an agreement to purchase 89.9% of the shares of a company that owns a property in Cologne, Germany in a turnkey transaction, for consideration of a total amount of approximately EUR 42 million. As part of the transaction, the investee company obtained bank financing in the amount of approximately EUR 27 million. The deal was completed in June 2023.

2. During May 2017, an investee company (100% holding) entered into an agreement to purchase 84.9% of the shares of a company that owns a property in Hamburg, Germany in a turnkey transaction, for consideration of a total amount of approximately EUR 36.6 million. As part of the transaction, the investee company obtained bank financing in the amount of approximately EUR 20 million. The deal was completed in July 2023.

NOTE 21:- LIENS AND GUARANTEES

a. The balances of liabilities secured by pledges on the assets are as follows:

	December 31, 2022	December 31, 2023	Convenience translation December 31, 2023
	NIS	NIS	Euro
	(In thousands)		
Short-term credit	36,524	35,847	8,936
Loans from banking corporations and others, bonds, including current maturities	3,617,959	3,984,292	993,193
	3,654,483	4,020,139	1,002,129

NOTE 21:- LIENS AND GUARANTEES (Cont.)

b. The majority of the Group's liabilities are secured by a fixed charge on the Group hotels in which the Group has freehold or leasehold rights, a charge on rights and funds by virtue of management agreements or insurance rights. In some cases, a charge has also been recorded on the rights to the shares of the corporation holding property rights.

In some cases, a floating charge has been recorded on the property of the borrowing company (companies indirectly held by the Group) in favor of the lending entity. (In some cases, a floating charge was recorded in favor of the State of Israel as is customary in these circumstances in respect of State grants.)
In addition, there is a negative pledge on the Company and on Fattal Hotels.

c. As of the balance sheet date, the Group has provided bank guarantees amounting to approximately NIS 102 million and EUR 96 million, mainly to secure various lease and management agreements and obligations to banks in Israel or overseas of investee companies and partnerships.

d. The Group guaranteed up to a total of about EUR 151.5 million (in addition to the guarantee specified in section g below) to secure lease agreements of companies and partnerships held abroad. In addition, the Group's companies provided performance guarantees in connection with their contractual obligations in the amount of about EUR 12.4 million. In addition, Fattal Hotels is a guarantor for 16.5% of the total of loans made by one of the banking corporations to an investee company.

e. The Group and the partner in a jointly controlled entity have, jointly and severally, provided a limited guarantee of NIS 15 million to a banking corporation in connection with the credit extended to an investee company, which will secure and back the exercise of the guarantees provided by the shareholders in this company.

f. In addition to the aforementioned financial guarantees, it is noted that the management partnership usually pledges the hotel inventory ("property guarantee") (i.e. – the equipment which is used by the management partnership in the operation of the hotel) in favor of the bank that provided financing to the property company, as part of the collateral provided to the bank in respect of this financing.

g. As part of a lease agreement for four hotels in London, the Company provided a guarantee limited in amount to the above hotel owners for the payment of rental obligations, including the payment of the rent on due date. Until the date when the EBITDAR multiplier in the two years prior to that date is equal to or higher than 1: 1.5 (hereinafter – the date of change) the amount of the guarantee will be limited to an amount equal to the annual rent for five years (GBP 275 million). As of the date of the change, the amount of the guarantee will be limited to a guarantee amount equal to twice the annual rents (GBP 110 million).

NOTE 22:- EQUITY

a. Composition of share capital:

	December 31, 2022		December 31, 2023	
	Authorized	Issued and paid-up	Authorized	Issued and paid-up
	Number of shares			
Ordinary shares of NIS 1 par value each	50,000,000	16,158,635	50,000,000	16,428,241

(*) For details about the conversion of bonds to shares, see Note 15(1) above.

b. Issue of options:

On February 12, 2018, 156,426 non-registered options were allocated to 70 offerees (including 36,163 options to 9 senior office-holders (including a director) and 10,933 to three sons of the controlling shareholder who serve in management positions in the Group). On that date, it was approved that an additional quantity of up to 54,497 unquoted options would be allocated pursuant to the abovementioned plan to other offerees in the future. The non-registered options are available for exercise to ordinary shares of the Company in exchange for an exercise price of NIS 301 per share and subject to vesting periods which have been determined between 3 and 7 years from the date of allocation. The exercise periods provided are between 2 and 4 years from the date of vesting and in accordance with the "net exercise" (cashless) mechanism.

On March 13, 2018, 36,163 non-registered options were allocated to 13 offerees who are service-providers to the Fattal Group. The terms of the options are identical to the options described above.

During the years 2021-2023, 58,868 non-registered options were allocated to 28 offerees, who are employees of the Fattal Group. The terms of the options are identical to the options described above.

c. Rights attached to shares:

Voting rights at the general meeting, right to dividends and rights upon liquidation of the Company.

d. Management of capital in the Company:

The Company's objective in managing capital is to ensure long-term operating profitability in order to provide an adequate return for the shareholders.

As for financial covenants, see Notes 14b and 15.

NOTE 23:- TAXES ON INCOME

a. Tax laws applicable to the Group companies:

1. Companies in Israel:

a) Income Tax (Inflationary Adjustments) Law, 1985:

In accordance with the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the Knesset (the Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the Adjustments Law from 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, with the exception of certain adjustments in respect of changes in the Israeli CPI in the period up to December 31, 2007. Adjustments relating to capital gains, such as for the sale of real estate (betterment) and securities, continue to apply until the date of disposal. The amendment to the law includes, inter alia, the cancellation of the inflationary addition and deductions and the additional deduction for depreciation (in respect of depreciable assets purchased after the 2007 tax year), effective 2008.

b) Controlled foreign companies in Israel ("CFC"):

On January 1, 2014, Amendment 198 to the Ordinance came into effect. The Amendment introduced several changes in CFC legislation, which apply to income which a foreign company generated or derived as January 1, 2014.

In accordance with the provisions of the Ordnance, the undistributed profits originating from passive revenues ("unpaid profits") of a "foreign controlled company" (in this section, "the foreign company") shall be deemed to have been distributed to its controlling shareholders who are Israeli residents as a "notional dividend".

A "controlled foreign company" is defined in the Ordinance as a foreign resident company that meets the following cumulative conditions:

- Its shares or interests therein are not listed for trading on the stock exchange; however, if they are listed, less than 30% of the shares or rights therein have been issued to the public or listed for trading. For these purposes, interests held by the controlling shareholder shall not be taken into account.
- The bulk of the company's income in the tax year or the bulk of its profits originates from passive revenues. The tax rate applicable to its passive revenues in the foreign country does not exceed 15%.
- More than 50% in one or more of the means of control in the company are held, directly or indirectly, by Israeli residents.

NOTE 23:- TAXES ON INCOME (Cont.)

c) The Law for the Encouragement of Industry (Taxation), 1969:

Some of the Group companies have the status of an "industrial company" as defined by this law. According to this status and by virtue of regulations that have been published, the companies are entitled to claim, and have indeed claimed, a deduction of accelerated depreciation with regard to equipment used in a hotel, as provided in the regulations under the Adjustments Law.

Furthermore, pursuant to this law, certain subsidiaries file a consolidated tax return for income tax purposes.

d) Benefits under the Law for the Encouragement of Capital Investments, 1959:

1) Pursuant to the Law for the Encouragement of Capital Investments, 1959 ("the Law"), certain subsidiaries operating some of the Group's hotels have been granted "approved enterprise" status, entitling them to certain investment grants and/or tax benefits. The subsidiaries did not utilize any tax benefits, except for the entitlement to deduct accelerated depreciation over five tax years and the receipt of investment grants from the State, since they have yet to earn taxable income. The period of benefits ended in 2011 and 2012. The benefits are conditional upon the fulfillment of the conditions stipulated by the Law and the letters of approval for the performance of the investments. Non-compliance with the conditions may cancel all or part of the benefits and require a refund of the amounts of the benefits, with the addition of interest or linkage differences. Management estimates that the subsidiaries are meeting the aforementioned conditions.

2) a) In 2005, an amendment to the Law came into effect according to which corporations that meet the prescribed criteria, including those that own an industrial enterprise or a hotel for accommodation in which at least 25% of total accommodations (in each tax year or based on an average calculation in the tax year and in the two preceding tax years) are of foreign residents, own a "beneficiary enterprise" and are entitled to tax benefits as outlined above without the need for advance approval.

b) Fattal Hotels (which leases and operates, inter alia, the Leonardo Boutique Hotel in Ramat HeHayal, the Leonardo Boutique Hotel in Rehovot, the Rothschild 22 Hotel, the NYX Hotel in Tel Aviv, the Jerusalem Boutique Hotel and the NYX Herzliya) has received a "beneficiary enterprise" status (as this term is defined by the Law) from the Tax Authority and chose 2009, 2012, 2016, 2016, 2017 and 2020 as the "year of election" pursuant to section 51d to the Law.

NOTE 23:- TAXES ON INCOME (Cont.)

In September 2022, the Company elected to pay corporate tax according to the provisions of the Economic Efficiency Law for selected accumulated income in the amount of NIS 22,853 thousand, which is 100% of the total accumulated income of the Company and accordingly it recognized current tax expenses in the same year in the amount of approximately NIS 3,850 thousand.

e) Other tax benefits:

By virtue of the Income Tax Regulations (Tax Reliefs on Income of Residents of Eilat and the Arava Settlements), 1975, and by virtue of the Income Tax Regulations (Tax Reliefs in Certain Nahal Settlements), 1978, the Group deducts additional depreciation amounting to 50% of the depreciation for income tax purposes on assets in the Eilat region, and an additional depreciation deduction of 25% on the depreciation for income tax purposes on assets in the Dead Sea and Tiberias regions. The additional deduction for assets acquired through June 30, 2003 was claimed on the basis of the tax Authority's directives of December 8, 2008 and April 28, 2010 and for assets acquired after said date - claimed on basis of an opinion of the Company's legal counsel.

2. Foreign companies:

The foreign companies in the Group are subject to the payment of tax abroad according to the local tax laws. Foreign companies in the Group are assessed in accordance with the applicable tax law in their resident countries. The tax liability of foreign companies holding real estate only is in respect of profit from operations (such as disposal of properties) or alternatively, in respect of rental income (in certain cases, with the addition of foreign exchange differences accrued or realized in respect of properties, which are not denominated in local currencies), less the expenses which incurred in connection with the properties, all in accordance with the local tax laws in the country in which the foreign companies was incorporated.

NOTE 23:- TAXES ON INCOME (Cont.)

3. The Pillar 2 rules have been substantially enacted in certain jurisdictions in which the Group operates. The legislation will enter into force from the fiscal year beginning on January 1, 2024, so there is no impact on current taxes for the year ending on December 31, 2023. The Group has made an assessment of the potential exposure to taxes arising from the Pillar 2 rules. This assessment is based on the most recent information available regarding the financial performance of the entities within the Group in the different countries.

   Based on the assessment carried out, the Group has identified a potential exposure to taxes arising from the Pillar 2 rules for profits obtained in Switzerland, Cyprus and the Netherlands (there may also be exposure in other countries, and the Company is still checking the data). The potential exposure comes from the consolidated entities in those jurisdictions where the effective tax rate resulting from the application of the Pillar 2 rules is lower than 15%. The effective tax rate as a result of applying the Pillar 2 rules is lower in these jurisdictions mainly due to a low statutory tax rate. The Company implemented the mandatory temporary exemption from the recognition and disclosure of temporary differences arising from the Pillar 2 rules.

   The Company continues to make progress in evaluating the expected tax impact as a result of the Pillar 2 rules in the relevant countries and expects to complete the tests during the first half of fiscal year 2024.

b. Tax rates applicable to the Group companies:

   1. Companies in Israel:

      The Israeli corporate income tax rate was 23% in 2023, 2022 and 2021.

      The deferred tax balances included in the financial statement have been calculated at a tax rate of 23%.

NOTE 23:- TAXES ON INCOME (Cont.)

2. Foreign companies:

The corporate tax rate applicable to companies resident in Germany that have no business income is 15.825% (including solidarity tax). Companies with business activity are also subject to a trade tax of an average of 14%.
The corporate tax rate applicable to Swiss resident companies (the Zurich Canton) is 21.15%.
The corporate tax rate applicable to Luxembourg (Luxembourg City) resident companies is 24.94%.
The corporate tax rate applicable to companies resident in the Netherlands is between 15% and 25.8%.
The corporate tax rate applicable to Italian resident companies is 24%. Companies with business operations are also subject to trade tax at the rate of 3.9%.
The corporate tax rate applicable to Spanish resident companies is 25%.
The corporate tax rate applicable to Austrian resident companies is 25%.
The corporate tax rate applicable to England and Scotland resident companies is 19%. It should be noted that, starting in 2023, the tax rate is expected to rise to 25%.
The corporate tax rate applicable to companies resident in Ireland is 12.5%. In addition, certain passive income is subject to a tax rate of 25% and capital gains are subject to tax rate of 33%.
The corporate tax rate applicable to companies resident in Hungary is 9%.
The corporate tax rate applicable to companies resident in Portugal is 21%.
The corporate tax rate applicable to companies resident in Belgium is 25%.
The corporate tax rate applicable to companies resident in Poland is 19%.
The corporate tax rate applicable to companies resident in Romania is 16%.

c. Partnerships are not independent taxable entities for income tax purposes. The earnings of the investee partnerships are adjusted for tax purposes and transferred to the partners according to their share in the partnership's earnings.

d. Tax assessments:

Final tax assessments:

The Company has final assessments up to and including the 2018 tax year and subject to certain conditions.

Fattal Hotels Ltd has final assessments up to and including the 2019 tax.

In December 2022, Fattal Properties (Europe) signed a tax assessment agreement for the years 2016 - 2020.

The other Group companies in Israel have final tax assessments or are considered final up to and including the 2017 tax year.

Most of the Group companies in Germany have final tax assessments or are considered final up to and including the 2015 tax year. Also, some of these companies are in the process of tax assessment discussions up to the year 2020. In the estimation of Group Management, sufficient provisions have been included to cover these assessments.

NOTE 23:- TAXES ON INCOME (Cont.)

e. Carryforward losses for tax purposes:

Carryforward tax losses of consolidated companies in Israel total approximately NIS 75 million as of December 31, 2023.

Carryforward tax losses of consolidated companies abroad total approximately EUR 437 million as of December 31, 2023.

In respect of accumulated losses amounting to approximately NIS 746 million, the Group has created a deferred tax asset of approximately NIS 193 million. Deferred tax assets relating to the balance of carry-forward losses were not created as it is not probable that they will be utilized in the foreseeable future.

f. Deferred taxes:

Composition:

	Statement of financial position		
			Convenience translation
	December 31,		December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Deferred tax liabilities:			
Right-of-use assets, net	(3,425,483)	(3,729,132)	(929,587)
Depreciable property, plant and equipment	(381,679)	(432,741)	(107,872)
Other temporary differences	(52,701)	(76,543)	(19,081)
	(3,859,863)	(4,238,416)	(1,056,540)
Deferred tax assets:			
Right-of-use assets, net	3,892,983	4,308,195	1,073,934
Depreciable property, plant and equipment	12,775	879	219
Carry-forward tax losses	198,646	193,960	48,350
	4,104,404	4,503,034	1,122,503

NOTE 23:- TAXES ON INCOME (Cont.)

Deferred taxes are presented in the statement of financial position as follows:

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Non-current assets	656,520	778,104	193,963
Non-current liabilities	(411,979)	(513,486)	(128,000)

The deferred taxes are computed at the tax rate of 23% for companies in Israel and in accordance with the tax rates set forth in Note 23b(2) abroad, based on the tax rates that are expected to apply upon realization.

g. Taxes benefit (taxes on income) included in profit or loss:

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Current taxes	(44,482)	(30,615)	(77,804)	(19,395)
Prior years' taxes	16,286	7,551	(477)	(119)
Deferred taxes	167,014	78,263	67,489	16,823
	138,818	55,199	(10,792)	(2,691)

h. Taxes on income relating to other comprehensive income:

Mainly in respect of the revaluation of fixed assets, amounting to NIS 84,893 thousand, NIS 58,456 thousand and NIS 80,513 thousand as of December 31, 2023, 2022 and 2021, respectively.

NOTE 23:- TAXES ON INCOME (Cont.)

i. Theoretical tax:

A reconciliation between the tax expenses, assuming that all the income and expenses, gains and losses in the statement of profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Income (Loss) for the period before taxes on income (tax benefit)	(361,622)	(133,655)	55,870	13,927
Statutory tax rate in Israel	23%	23%	23%	23%
Tax at the statutory tax rate in Israel	(83,173)	(30,741)	12,850	3,203
Increase (decrease) in taxes on income resulting from the following factors:				
Tax in respect of the Company's share in profits (losses) of associate companies	156	(198)	1,072	267
Adjustment of deferred tax balances due to a change in tax rates	(25,315)	-	-	-
Recognition of deferred taxes for losses from prior years	-	(48,862)	(1,854)	(462)
Losses in the reporting year for which no deferred taxes were created	8,415	2,342	4,986	1,243
Income at different tax rates	(16,379)	(15,847)	(3,198)	(797)
Prior years' taxes	(16,286)	41,312	477	119
Other differences	(6,236)	(3,205)	(3,541)	(882)
	(138,818)	(55,199)	10,792	2,691
Effective tax rate	38%	41%	19%	19%

NOTE 24:- REVENUES FROM HOSPITALITY SERVICES AND OTHERS

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Rooms	2,303,851	4,236,121	5,352,594	1,334,279
Food and beverages	502,207	864,222	1,148,780	286,365
Other services	213,856	345,176	378,715	94,404
Hotel management fees	20,752	25,899	48,371	12,058
	3,040,666	5,471,418	6,928,460	1,727,106

The Group has hotels to which it owns all of the rights (by title or lease) and hotels that it leases under an operating lease which are included in the consolidated financial statements.

In hotels where the management agreement includes guaranteed rental fees and the Group bears most of the risks deriving from the management, the Group records in the financial statements all revenues and operating expenses and assets and liabilities resulting from the operation. In other hotels, where the Group earns revenues from management fees that derive from the turnover and operating profit, the Group records in the financial statements only the management fees to which it is entitled.

NOTE 25:- COST OF REVENUES

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Salaries and related expenses	(*) 811,206	1,292,579	1,593,832	397,306
Expenses (incomes) relating to rooms department	(27,434) (**)	663,368	887,940	221,343
Food and beverages	298,802	469,262	569,103	141,864
Maintenance and energy expenses	245,270	433,880	483,631	120,558
Municipal taxes and insurance	112,293	167,785	178,851	44,583
Others	34,013	50,733	61,259	15,271
	1,474,150	3,077,607	3,774,616	940,925

(*) Shown net of grants received in connection with the Corona pandemic in the amount of approximately NIS 153 million.
(**) Shown net of grants received in connection with the Corona pandemic in the amount of approximately NIS 400 million.

NOTE 26:- SELLING AND MARKETING EXPENSES

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Advertising and marketing	62,902	97,771	87,385	21,783
Salaries and related expenses	25,093	36,815	46,476	11,585
	87,995	134,586	133,861	33,368

NOTE 27:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Salaries and related expenses	147,388	215,649	280,887	70,019
Professional services	53,375	63,606	75,631	18,853
Credit card commissions	22,859	51,761	75,198	18,745
Office, expenses, communication and postage	32,011	44,166	62,821	15,660
Vehicle maintenance	4,038	5,364	5,807	1,448
Others	32,307	53,669	67,189	16,748
	291,978	434,215	567,533	141,473

NOTE 28:- OTHER OPERATING EXPENSES (INCOME), NET

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Prior years' expenses	-	3,473	10,240	2,553
Decrease (increase) in Impairment of property, plant, equipment and investments	(95,597)	(2,713)	6,012	1,499
Reduction in rent payments	(165,547)	(21,403)	-	-
Other (income) expenses	(8,740)	(1,305)	22,076	5,502
	(269,884)	(21,948)	38,328	9,554

NOTE 29:- FINANCE INCOME AND EXPENSES

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
a. Financial income				
Others	1,883	220	787	196
b. Financial expenses				
Financial expenses in respect of long-term loans and bonds (*)	194,582	217,553	301,296	75,106
Expenses in respect of derivative financial instruments	6,499	1,067	9,873	2,461
Others	1,612	14,972	2,882	719
	202,693	233,592	314,051	78,286

(*) For the year that ended on December 31, 2023, the expense includes about NIS 10 million for exchange rate differences and about NIS 27 million for linkage differences.

NOTE 30:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties

	December 31,		Convenience translation December 31,
	2022	2023	2023
	NIS		Euro
	(In thousands)		
Current assets:			
Associate companies	45,191	66,960	16,692
Non-current assets – Capital Note and loans to companies and other partnerships treated under the equity method	841,049	913,196	227,639
Current liabilities:			
Shareholders	6,290	6,529	1,628
Chain hotels	299	-	-
Non-current liabilities:			
Shareholders	5,181	8,883	2,214

NOTE 30:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

b. Transactions with interested and related parties: *)

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
Salaries and related expenses to interested parties **)	(15,504)	(18,135)	(20,485)	(5,106)
Management fees from companies and partnerships accounted for at equity	4,291	5,838	15,388	3,836
Remuneration of directors not employed in the Company	(503)	(560)	(1,615)	(403)
Number of directors to whom the benefit refers	6	4	4	4

*) These transactions do not include immaterial transactions as defined by Company's management.

**) Including payment of management fees to a related company as stated in c below.

c. Benefits to key management personnel (including directors):

On October 30, 2016, an agreement was signed for the provision of CEO, advisory and entrepreneurship services between Fattal Investments (1998) Ltd. (a private company owned by the Company's controlling shareholder) and the Company, in effect from November 1, 2016, and an addition to the agreement from December 2017. The key terms of the new agreement are (inter alia) as follows: (a) the Manager is entitled to monthly management fees of NIS 243 thousand (plus VAT), linked to the increase in the Israeli CPI on the payment date in relation to the Israeli CPI of August 2016; (b) the Manager is entitled to an annual bonus equivalent to 10% of the annual net income, as defined in the agreement, according to the Fattal Holding's annual financial statements, provided that the bonus payable to Fattal Holdings and the Manager does not exceed NIS 5,824 thousand a year, linked to the Israeli Consumer Price Index (index base – August 2016).
It should be noted that in the year in which the total bonus to which Fattal Investments is entitled exceeds the annual ceiling, Fattal Investments will receive amounts in the amount of the annual ceiling only and will be entitled to the surplus payments in the following commitment years; (c) other related employment terms. This agreement cancels any previous agreement between the parties.
On February 21, 2023, the General Meeting of the Company's Shareholders re-approved the terms of Mr. Fattal's tenure as the Company's CEO, and approved the extension of the services agreement between the Company and Fattal Investments for another three years under the same conditions listed above. For details about the termination of Mr. Fattal's term as Chairman of the Board of Directors of the Company, see Section e below.

NOTE 30:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Cont.)

The cost of related parties in the reported periods is as follows:

	Year ended December 31,			Convenience translation Year ended December 31,
	2021	2022	2023	2023
	NIS			Euro
	(In thousands)			
	8,608	9,441	9,990	2,490

d. Engagements with interested and related parties:

1. The Company's controlling shareholder has provided personal guarantees limited in amount in favour of banks that extended credit to companies accounted for by the equity method. As of the date of approval of the financial statements, these guarantees amount to approximately € 1.5 million.

2. The controlling shareholder's three sons are employed at the Company in various positions in the reporting periods.

3. In September 2017, the Group signed a lease agreement with a wholly-owned subsidiary of a controlling shareholder for the Group's headquarters office in Israel, commencing from January 2018, for annual lease fees of NIS 1.8 million. The lease period was set for 24 years and 11 months (including 3 option periods of 5 years each).

e. Appointment of Chairman of the Board of Directors

In January 2023, Mr. David Fattal informed the Company's Board of Directors that he intends to focus on the role of CEO of the Company and to retire from his position as Chairman of the Board of Directors, in order to strengthen the Company's corporate governance. On January 12, 2023, the Company's Board of Directors decided to appoint Mr. Yuval Bronstein, who has served as a Director of the Company since October 14, 2021, as the Chairman of the Board of Directors, effective from February 21, 2023. In accordance with the Engagement Agreement, the Company will pay Mr. Bronstein monthly management fees in the amount of NIS 70 thousand, and in addition, Mr. Bronstein is entitled to an annual bonus subject to meeting the threshold conditions stipulated in the Agreement. The amount of the bonus together with the amount of the annual benefit in respect of equity compensation (insofar as equity compensation is awarded) shall not exceed a total of NIS 600 thousand. Accordingly, starting on February 21, 2023, Mr. David Fattal serves as the Company's Director and CEO.

NOTE 31:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and the earnings used in the calculation of net earnings per share:

	Year ended December 31,						Year ended December 31,	
	2021		2022		2023		2023	
	Weighted number of shares (*	Loss attributed to the shareholders of the Company	Weighted number of shares	Loss attributed to the shareholders of the Company	Weighted number of shares	Income attributed to the shareholders of the Company	Weighted number of shares	Income attributed to the shareholders of the Company
	In thousands	NIS in thousands	In thousands	NIS in thousands	In thousands	NIS in thousands	In thousands	Euro in thousands
For the computation of basic income (loss)	15,462	(226,161)	16,158	(78,775)	16,428	45,185	16,428	11,264
For the computation of diluted income (loss)	15,462	(226,161)	16,158	(78,775)	16,411	45,185	16,411	11,264

NOTE 32:- 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 was conducted through three reportable operating segments: In Israel, in Europe (except for United Kingdom, Ireland and Mediterranean basin) and United Kingdom and Ireland. 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.

The performance of the segments is evaluated mainly according to the revenues and the operating profit before depreciation and amortization, financing taxes and other expenses (EBITDA), including for hotels that are held through affiliated companies whose performance is presented in a proportional consolidation according to the effective holding percentage of the affiliated company.

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 operative decision-maker is continuing to examine the activity sectors according to the old Leases Standard, IAS 17. Accordingly, adjustments were added in respect of the new Leases Standard, IFRS 16.

NOTE 32:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

2023

	Year ended December 31, 2023								
	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total	Convenience translation Total
	NIS								Euro
	(In thousands)								
Segment revenues	1,914,273	2,636,303	2,217,371	571,124	(410,611)	6,928,460	-	6,928,460	1,727,106
Operating income before depreciation and amortization, other operating expenses and rental expenses	551,836	1,004,708	774,439	228,624	(107,157)	2,452,450	-	2,452,450	611,340
Operating income before depreciation and amortization and other operating expenses	414,333	517,379	264,025	125,143	(275,880)	1,045,000	1,251,712	2,296,712	572,518
Depreciation and amortization	(112,121)	(182,981)	(112,756)	(39,266)	74,798	(372,326)	(776,825)	(1,149,151)	(286,457)
Other expenses, net								(38,328)	(9,554)
Finance expenses, net								(1,048,700)	(261,417)
Group's share of losses of associate companies and partnerships accounted for at equity								(4,663)	(1,163)
Income before taxes on income								55,870	13,927
Taxes on income								(10,792)	(2,691)
Net income								45,078	11,236

NOTE 32:- OPERATING SEGMENTS (Cont.)

2022

	Year ended December 31, 2022							
	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS (In thousands)							
Segment revenues	1,776,259	1,874,946	1,772,621	387,572	(339,980)	5,471,418	-	5,471,418
Operating income before depreciation and amortization, other operating expenses and rental expenses	473,270	684,822	632,821	155,131	(121,034)	1,825,010	-	1,825,010
Operating income before depreciation and amortization and other operating expenses	351,341	346,610	154,059	78,818	(184,905)	745,923	985,764	1,731,687
Depreciation and amortization	(97,231)	(130,808)	(115,318)	(24,225)	33,642	(333,940)	(671,394)	(1,005,334)
Other operating income, net								21,948
Finance expenses, net								(882,817)
Group's share of earnings of associate companies and partnerships accounted for at equity								861
Loss before tax benefit								(133,655)
Tax benefit								55,199
Loss for the period								(78,456)

NOTE 32:- OPERATING SEGMENTS (Cont.)

2021

	Year ended December 31, 2021							
	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	NIS (In thousands)							
Segment revenues	1,315,830	768,156	928,898	137,630	(109,848)	3,040,666	-	3,040,666
Operating income before depreciation and amortization, other operating expenses and rental expenses	403,694	478,501	275,444	66,551	(37,647)	1,186,543	-	1,186,543
Operating income (loss) before depreciation and amortization and other operating expenses	324,033	229,308	(133,774)	32,378	(75,938)	376,007	806,598	1,182,605
Depreciation and amortization	(89,818)	(142,674)	(91,871)	(18,179)	46,686	(295,856)	(656,235)	(952,091)
Other operating income, net								269,884
Finance expenses, net								(861,341)
Group's share of losses of associate companies and partnerships accounted for at equity								(679)
Loss before tax benefit								(361,622)
Tax benefit								138,818
Loss for the period								(222,804)