FATTAL HOLDINGS (1998) LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

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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, 2024. 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, 2024.

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 2024, and for each of the three years in the period ended December 31, 2023 and our report dated March 26, 2025, expressed an unqualified opinion thereon.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
March 26 , 2025

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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, 2024 and 2023, 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 0.6% and 0.69% of total consolidated assets as of December 31, 2024, and 2023, respectively, and their revenues constitute approximately 4.27%, 3.34% and 2.44% of total consolidated revenues for the years ended December 31, 2024, 2023 and 2022, respectively. Furthermore, we did not audit the financial statements of companies accounted for at equity, the investment in which amounted to approximately NIS 530,437 thousand and NIS 469,339 thousand as of December 31, 2024 and 2023, respectively, and the Company's share of their earnings (losses) amounted to approximately NIS (69,913) thousand, NIS (9,078) thousand and NIS 8,971 thousand for the years ended December 31, 2024, 2023 and 2022, 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, 2024 and 2023, 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, 2024, 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, 2024, 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 8,371 million, accounting for 29.38% of the Group's assets.

As described in Note 11 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.

How we addressed the matter in our audit

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.
- 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 ona 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.

Purchase price allocation

As described in Note 5 to the consolidated financial statements, in 2024, the Company completed the acquisition of the entire shares of Protal Tourism Ltd.

We identified the accounting treatment of the acquisition as a key audit matter due to the materiality of the acquisition and its effect on the Company's financial statements and the considerable judgment exercised by management in the purchase price allocation (PPA) of the acquiree's assets and liabilities at fair value and the fair value measurement of settlement of a pre-existing relationship between the Company and Protal Tourism Ltd.

How we addressed the matter in our audit

- Evaluating the experience, competence and independence of the valuation expert hired by the Company.
- Examining the valuation prepared by the Company's valuation expert using expert on our behalf to analyze allocation of excess cost including the adequacy of the methodology and discount rate.
- Examining the fair value measurement of settlement of a pre-existing relationship performed by the Company's valuation expert using expert on our behalf to evaluate the methodology.
- Testing the reasonableness of the assumptions underlying the valuation.
- Testing the accounting treatment in accordance with the application of IFRS 3 and the proper PPA of the identifiable assets and liabilities.
- Evaluating the integrity of the assets and liabilities identified.

- Holding inquiries with the Company's valuation expert, experts on our behalf and the Company's management.
- Examining the recording of the transaction and the appropriateness of the acquisition related disclosures in the financial statements.

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, 2024, and our report dated March 26, 2025, included an unqualified opinion on the effective maintenance of those components.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
March 26 , 2025

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2023	December 31, 2024	Convenience translation (Note 1f) December 31, 2024
		NIS		Euro
		(In thousands)		
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	6a	886,045	573,657	151,106
Securities held for trading	6b	18,220	86,536	22,794
Trade receivables	7	293,445	444,009	116,955
Other accounts receivable	8	241,553	305,059	80,355
Income tax receivable		4,920	1,301	343
Inventories		24,602	26,511	6,983
		1,468,785	1,437,073	378,536
Assets held for sale		34,099	-	-
Total current assets		1,502,884	1,437,073	378,536
NON-CURRENT ASSETS:				
Long-term receivables	9	47,753	107,074	28,204
Advance on fixed assets	21	-	16,998	4,477
Loans and Investments in companies and partnerships accounted for at equity	10	3,055,512	3,231,841	851,293
Property, plant and equipment, net	11	7,468,279	9,605,498	2,530,160
Property, plant and equipment under construction	11	453,037	542,443	142,884
Right-of-use assets, net	17	12,937,357	12,394,547	3,264,816
Deferred taxes on right-of-use assets	24f	579,063	600,115	158,075
Deferred taxes	24f	199,041	181,944	47,925
Intangible assets		369,889	381,088	100,381
Total non-current assets		25,109,931	27,061,548	7,128,215
Total assets		26,612,815	28,498,621	7,506,751

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2023	December 31, 2024	Convenience translation (Note 1f) December 31, 2024
		NIS	NIS	Euro
		(In thousands)		
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term credit from banks and others	12	439,852	646,221	170,217
Current maturities of liabilities from leases of right-of-use assets	17	488,970	467,993	123,273
Current maturities of debentures	16	536,323	540,350	142,332
Trade payables	13	270,289	294,081	77,463
Income tax payable		31,441	43,089	11,350
Other accounts payable	14	996,032	903,997	238,120
Shareholders	31c	6,529	6,771	1,784
Total current liabilities		2,769,436	2,902,502	764,539
NON-CURRENT LIABILITIES:				
Loans from banks and others	15	3,388,767	4,561,098	1,201,430
Debentures, net	16	2,338,427	2,261,129	595,598
Liabilities from leases of right-of-use assets	17	14,118,732	13,636,110	3,591,853
Deferred taxes	24f	513,486	843,266	222,123
Employee benefit liabilities, net	19	23,446	27,828	7,330
Other non-current liabilities	20	97,120	111,895	29,474
Shareholders		8,883	5,110	1,346
Total non-current liabilities		20,488,861	21,446,436	5,649,154
Total liabilities		23,258,297	24,348,938	6,413,693
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	23			
Share capital and premium		1,083,328	1,091,095	287,403
Capital reserves		2,044,529	2,163,664	569,925
Retained earnings		132,724	844,152	222,356
		3,260,581	4,098,911	1,079,684
Non-controlling interests		93,937	50,772	13,374
Total equity		3,354,518	4,149,683	1,093,058
		26,612,815	28,498,621	7,506,751

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

March 26, 2025			
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

		Year ended December 31,			Convenience translation (Note 1f) Year ended December 31,
		2022	2023	2024	2024
	Note	NIS			Euro
		(In thousands)			
Revenues from hospitality services and others	25	5,471,418	6,928,460	7,444,403	1,960,911
Cost of revenues	26	3,077,607	3,774,616	3,980,513	1,048,497
		2,393,811	3,153,844	3,463,890	912,414
Selling and marketing expenses	27	134,586	133,861	156,636	41,259
General and administrative expenses	28	434,215	567,533	582,388	153,405
		1,825,010	2,452,450	2,724,866	717,750
Hotel lease expenses		93,323	155,738	137,433	36,201
Operating income before depreciation and amortization and other operating expenses		1,731,687	2,296,712	2,587,433	681,549
Depreciation and amortization	11	302,387	333,566	381,928	100,603
Depreciation of revaluation of step-up		31,553	38,760	56,119	14,782
Depreciation on right-of-use assets		671,394	776,825	804,461	211,901
Other operating expenses (income), net	29	(21,948)	38,328	(231,253)	(60,914)
Operating income		748,301	1,109,233	1,576,178	415,177
Financial expenses, net	30	(233,372)	(313,264)	(340,939)	(89,806)
Financing expenses on liabilities from leases of right-of-use assets		(649,445)	(735,436)	(789,617)	(207,991)
Group's share of earnings (losses) of companies and partnerships accounted for at equity		861	(4,663)	(95,910)	(25,263)
Income (loss) before taxes on income (tax benefit)		(133,655)	55,870	349,712	92,117
Tax benefit (taxes on income)	24g	55,199	(10,792)	(71,568)	(18,852)
Income (loss) for the period		(78,456)	45,078	278,144	73,265
Attributable to:					
Shareholders of the Company		(78,775)	45,185	278,220	73,285
Non-controlling interests		319	(107)	(76)	(20)
		(78,456)	45,078	278,144	73,265
Income (loss) per share attributable to equity holders of the Company:	32				
Basic income (loss) per share		(5.01)	2.76	16.93	4.46
Diluted income (loss) per share		(5.01)	2.75	16.87	4.44

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,
	2022	**2023**	**2024**	**2024**
		NIS		**Euro**
		(In thousands)		
Income (loss) for the period	(78,456)	45,078	278,144	73,265
Other comprehensive income (after tax effect):				
Amounts that will not be reclassified subsequently to profit or loss:				
Actuarial income, net	15,408	78	1,663	438
Revaluation of properties, net	193,515	306,348	269,691	71,039
Group's share in other comprehensive income (mainly for revaluation of properties in companies and partnerships) accounted for at equity	174,425	252,982	326,173	85,916
Total amounts that will not be reclassified subsequently to profit or loss	383,348	559,408	597,527	157,393
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	(5,790)	(42,477)	80,171	21,118
Foreign currency translation adjustments	113,523	163,566	(121,789)	(32,080)
Total amounts that will be reclassified subsequently to profit or loss	107,733	121,089	(41,618)	(10,962)
Total other comprehensive income	491,081	680,497	555,909	146,431
Total comprehensive income	412,625	725,575	834,053	219,696
Attributable to:				
Shareholders of the Company	406,642	709,600	833,940	219,667
Non-controlling interests	5,983	15,975	113	29
	412,625	725,575	834,053	219,696

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, 2022	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 January 1, 2023	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
	NIS (In thousands)									
Balance as of January 1, 2024	1,083,328	14,286	132,724	(137,574)	7,518	27,725	2,132,574	3,260,581	93,937	3,354,518
Income (loss) for the period	-	-	278,220	-	-	-	-	278,220	(76)	278,144
Other comprehensive income (loss)	-	-	-	(160,104)	-	80,171	635,653	555,720	189	555,909
Total comprehensive income (loss)	-	-	278,220	(160,104)	-	80,171	635,653	833,940	113	834,053
Exercise of stock options	4,763	(4,763)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	3,004	-	-	-	-	-	-	3,004	-	3,004
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(2,563)	(2,563)
Vesting option to employees	-	1,386	-	-	-	-	-	1,386	-	1,386
Exercise of stock of an investee company	-	-	-	-	-	-	-	-	(40,715)	(40,715)
Transfer from revaluation in respect of sale, net	-	-	368,303	-	-	-	(368,303)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	64,905	-	-	-	(64,905)	-	-	-
Balance as of December 31, 2024	1,091,095	10,909	844,152	(297,678)	7,518	107,896	2,335,019	4,098,911	50,772	4,149,683

The accompanying notes are an integral part of the 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 January 1, 2024	285,357	3,763	34,960	(36,238)	1,980	7,303	561,736	858,861	24,745	883,606
Income (loss) for the period	-	-	73,285	-	-	-	-	73,285	(20)	73,265
Other comprehensive income (loss)	-	-	-	(42,172)	-	21,118	167,436	146,382	49	146,431
Total comprehensive income (loss)	-	-	73,285	(42,172)	-	21,118	167,436	219,667	29	219,696
Exercise of stock options	1,255	(1,255)	-	-	-	-	-	-	-	-
Conversion of convertible bonds into shares	791	-	-	-	-	-	-	791	-	791
Repayment of loan from non-controlling interests	-	-	-	-	-	-	-	-	(675)	(675)
Vesting option to employees	-	365	-	-	-	-	-	365	-	365
Exercise of stock of an investee company	-	-	-	-	-	-	-	-	(10,725)	(10,725)
Transfer from revaluation in respect of sale, net	-	-	97,014	-	-	-	(97,014)	-	-	-
Transfer from revaluation reserve, in the amount of the depreciation, net	-	-	17,097	-	-	-	(17,097)	-	-	-
								-		
Balance as of December 31, 2024	287,403	2,873	222,356	(78,410)	1,980	28,421	615,061	1,079,684	13,374	1,093,058

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,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Cash flows from operating activities:				
Income (loss) for the period	(78,456)	45,078	278,144	73,265
Adjustments to the profit or loss items:				
Depreciation and amortization and depreciation on revaluation of property, plant and equipment and right-of-use assets	1,005,334	1,149,151	1,242,508	327,286
Finance expenses, net	866,688	1,040,059	1,138,637	299,925
Group's share of losses (earnings) of companies and partnerships accounted for at equity	(861)	4,663	95,910	25,263
Change in liabilities for time-sharing rights, net	(614)	(564)	(1,033)	(272)
Change in employee benefit liabilities, net	15,536	3,086	5,264	1,387
Taxes on income (tax benefit)	(55,199)	10,792	71,568	18,852
Loss (gain) from impairment of property, plant and equipment and investments	(2,713)	6,012	7,488	1,972
Share-based payment expense	3,245	2,318	1,386	365
Other income from rent concession received	(21,403)	-	-	-
Gain from obtaining control of an investee			(266,045)	(70,078)
Loss (gain) from a change in the value of securities held for trading	14,461	8,237	(17,322)	(4,562)
	1,824,474	2,223,754	2,278,361	600,138
Changes in asset and liability items:				
Decrease (increase) in trade receivables	(123,656)	117,181	(144,039)	(37,941)
Decrease (increase) in other accounts receivable	(65,608)	3,042	(101,259)	(26,672)
Increase in inventories	(4,156)	(3,302)	(2,200)	(579)
Decrease (increase) in long-term receivables	58,190	38,756	(44,528)	(11,729)
Increase (decrease) in trade payables	61,417	(21,505)	23,979	6,316
Increase (decrease) in other accounts payable	(51,831)	91,674	(76,995)	(20,281)
Increase (decrease) in other non-current liabilities	(32,794)	(81,963)	15,735	4,145
	(158,438)	143,883	(329,307)	(86,741)
Cash received (paid) during the year for:				
Receiving a dividend from an investee company	-	4,000	10,500	2,766
Taxes paid	(37,575)	(115,761)	(94,437)	(24,875)
Interest paid for leases of right-of-use assets	(634,953)	(735,738)	(793,300)	(208,961)
Other interest paid, net	(173,077)	(263,100)	(312,250)	(82,249)
	(845,605)	(1,110,599)	(1,189,487)	(313,319)
Net cash provided by operating activities	741,975	1,302,116	1,037,711	273,343

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,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Cash flows from investment activities:				
Proceeds from sale of fixed assets	-	-	32,906	8,668
Purchase of property, plant and equipment, net	(777,299)	(338,487)	(516,756)	(136,117)
Current investments in existing assets	(109,453)	(318,910)	(263,947)	(69,526)
Advance of investment in fixed assets	(4,143)	-	(17,000)	(4,478)
Purchase of companies consolidated for the first time (a)	(15,332)	(107,262)	(437,479)	(115,235)
Exit from consolidation (b)	-	-	58,626	15,443
Tax paid for the disposal of fixed assets in the past	(10,771)	(17,912)	(5,660)	(1,491)
Sale and purchase of securities held for trading, net	(65,352)	55,105	(50,994)	(13,432)
Loans and Investment in companies and partnerships accounted for at equity, net	(335,261)	(398,731)	(514,338)	(135,481)
Change in accounts receivable	-	-	(14,554)	(3,834)
Other assets, net	-	(235)	-	-
Change in designated deposit, net	16,239	41,048	312	82
Return on investment (investment) in various companies, net	(26,909)	1,709	(22,383)	(5,896)
Net cash used in investment activities	(1,328,281)	(1,083,675)	(1,751,267)	(461,297)
Cash flows from financing activities:				
Short-term credit from banking corporations, net	7,617	16,548	104,589	27,550
Receipt of long-term loans from banking corporations and others	964,236	636,581	1,395,366	367,550
Repayment of long-term loans from corporations and others	(501,661)	(553,272)	(396,286)	(104,385)
Issue of debentures, net	756,074	812,712	428,446	112,856
Repayment of debentures	(253,416)	(582,142)	(535,272)	(140,996)
Repayment of liabilities from leases of right-of-use assets	(351,436)	(515,973)	(576,914)	(151,963)
Net cash provided by (used in) financing activities	621,414	(185,546)	419,929	110,612
Translation differences in respect of balances of cash and cash equivalents	33,307	23,507	(18,761)	(4,942)
Increase (decrease) in cash and cash equivalents	68,415	56,402	(312,388)	(82,284)
Cash included in assets held for sale	15,567	-	-	-
Cash and cash equivalents at beginning of year	745,661	829,643	886,045	233,390
Cash and cash equivalents at end of year	829,643	886,045	573,657	151,106
Material non-cash activity:				
Other income from cancellation of lease agreements	-	-	18,835	4,961
Purchase of properties, plant and equipment	31,625	3,500	176,703	46,545
Recognition of the right-of-use assets against lease liabilities	760,714	540,515	707,967	186,484
Updates in right-of-use assets in respect of linkages to the CPI index	285,106	501,861	566,215	149,145
Receipt of waiver of lease payment	12,948	-	-	-
Conversion of convertible bonds into shares	184,858	67,271	3,004	791

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2024	Convenience translation (Note 1f) Year ended December 31, 2024
	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)	(167,399)	(44,094)
Non-current assets	(30,620)	(292,143)	(1,828,795)	(481,718)
Current liabilities	20,530	-	139,089	36,637
Non-current liabilities	-	-	704,056	185,454
Profit from the settlement of previous relationships	-	-	239,060	62,970
Disposal of an investment in a company accounted for using the equity method	-	-	476,510	125,516
Non-controlling interests	-	188,552	-	-
	(15,332)	(107,262)	(437,479)	(115,235)

	Year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2024	Convenience translation (Note 1f) Year ended December 31, 2024
	NIS	NIS	NIS	Euro
	(In thousands)			
(b) Exit from consolidation:				
Current assets	-	-	836	220
Non-current assets	-	-	140,000	36,877
Current liabilities	-	-	(4,821)	(1,269)
Long-term liabilities	-	-	(36,674)	(9,660)
Non-controlling interests	-	-	(40,715)	(10,725)
	-	-	58,626	15,443

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 303 hotels throughout Israel and Europe, comprising about 53,000 hotel rooms, including 221 hotels throughout Europe (excluding Cyprus and Greece) with a total of about 39,032 hotel rooms. Of these, about 15,944 rooms are located in hotels in which the Company has full or part of the ownership rights, and about 23,088 rooms located in hotels that the Company leases or manages only. In addition, the Company operates and manages 66 hotels in Israel with a total of about 11,340 hotel rooms, of which about 7,931 rooms are in hotels in which the Company has full or part of the ownership rights, and about 3,409 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 2,778 rooms, of which about 2,376 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 33.

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, are open to the public.

d. It should be noted that, as of December 31, 2024, the Company had a consolidated working capital deficit of about NIS 1,465 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 750 million.
- The Company has a positive cash flow from current operating activities during the reporting period in the amount of approximately NIS 1,037 million.
- Obtaining financing for 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 and also obtaining financing for properties that were not financed (a total of approximately NIS 160 million).
- 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.

NOTE 1:- GENERAL (Cont.)

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, 2024 and for the year then ended have been translated into Euro using the representative exchange rate as of that date (€ 1 = NIS 3.7964). 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.

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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;

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:

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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.

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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.

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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

- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

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 applied retrospectively for annual periods beginning on January 1, 2024.

The above Amendments did not have a material impact on the Company's consolidated financial statements.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

2. 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 applied retrospectively for annual periods beginning on January 1, 2024.

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

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.

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

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.

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 NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. Amendments to IFRS 9, "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures":

On May 30, 2024, the IASB issued "Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7" ("the Amendments"). The Amendments clarify certain aspects of the classification and measurement of financial instruments.

The Amendments address the following:

- **Derecognition of a financial liability settled through an electronic transfer system -** an entity is permitted to make an accounting policy election to derecognize a financial liability (or part of it) that is settled in cash using an electronic payment system before the settlement date if certain conditions are met. An entity that makes this accounting policy election is required to apply it to all financial liabilities settled using the same electronic payment system.

- **Assessing contractual cash flow characteristics for the classification of financial assets -** the Amendments clarify how to assess the characteristics of contractual cash flows of financial assets with features linked to environmental, social and corporate governance (ESG) targets and other similar contingent features. The Amendments also enhance the description of the term 'non-recourse' and clarify the characteristics of contractually linked instruments (CLIs).

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

- **Disclosures –** the Amendments to IFRS 7 introduce new disclosure requirements for financial assets and liabilities with contractual terms that include contingent features (including ESG-related) and new disclosures for investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

The Amendments are to be applied retrospectively commencing from annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted subject to disclosure. An entity is permitted to early adopt only the Amendments that relate to the classification of financial assets and the related disclosures. An entity is not required to restate prior periods, but may do so if, and only if, it is possible to do so without the use of hindsight.

The Amendments are not expected to have a material effect on the Company's consolidated financial statements.

b. IFRS 18, "Presentation and Disclosure in Financial Statements":

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows" and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted commencing from January 1, 2025, subject to disclosure.

The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

NOTE 5: - BUSINESS COMBINATIONS

On July 2, 2024, Fattal Hotels entered into a sales agreement (hereinafter: "the Agreement") with the Partner (50%) in Protal Tourism Ltd., an affiliated company held (50%) by Fattal Hotels (hereinafter: "Protal"), to purchase the Partner's full rights in Protal, such that, following the signing of the agreement, Fattal Hotels would hold all of Protal's shares.
As of the date of the agreement, Protal held the rights to 10 hotels in Israel that are leased and operated by Fattal Hotels, another hotel in Israel that is not active, and one hotel abroad that is not active .Also, as part of the Agreement, Protal sold to the seller its holdings (50% in a chain) in the Herods Eilat hotel complex, which will be leased to Fattal Hotels under a new 20-year lease agreement, after the existing lease agreement with Fattal Hotels has expired. The total net consideration for the transaction is approximately NIS 455 million.
The share that the Company attributed to the consideration transferred at the date of the business combination amounts to NIS 239,060 thousand for the termination of the contract with Protal. This amount represents the amount at which the contract is preferable from the perspective of the purchaser. The Group has recognized the said amount in the Statement of Income within the item, other income.
In addition, following the completion of the transaction, Protal's operations were consolidated for the first time and the Company closed the balance of net right-of-use assets and liabilities recognized in respect of the rental agreements and recognized other income in the amount of approximately NIS 53 million.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally. The goodwill created in the acquisition is attributed to the anticipated benefits resulting from the synergy of combining the activities of the Company and the acquired company.

NOTE 5: - BUSINESS COMBINATIONS (Cont.)

The fair value of the identifiable assets and liabilities of Protal on the acquisition date:

	Fair value	Convenience translation
	NIS	EURO
	In Thousands	
Cash and cash equivalents	2,896	763
Trade receivables	16,094	4,239
Other accounts receivable	165,771	43,665
Inventory	960	253
Property, plant and equipment, net	1,723,229	453,911
Right-of-use assets	73,273	19,301
Suppliers and service providers	(7,250)	(1,910)
Trade payables	(48,360)	(12,738)
Loans from banks and others	(374,348)	(98,606)
Liabilities from leases of right-of-use assets	(73,273)	(19,301)
Other non-current liabilities	(79,067)	(20,827)
Deferred taxes	(271,906)	(71,622)
Net identifiable assets	1,128,019	297,128
Goodwill arising from the acquisition	27,926	7,356
Total purchase cost	1,155,945	304,484

	NIS	Convenience translation EURO
	In Thousands	
<u>Calculation of the purchase consideration</u>:		
Cash paid	440,375	115,998
Fair value of previous investment	476,510	125,516
Settlement of previous relationships	239,060	62,970
Total purchase consideration	1,155,945	304,484

	NIS	Convenience translation EURO
	In Thousands	
<u>Cash arising from the acquisition/used for the acquisition</u>:		
Cash and cash equivalents in the acquired company at the date of acquisition	2,896	763
Cash paid for the acquisition	(440,375)	(115,998)
Cash, net	(437,479)	(115,235)

NOTE 6:- CASH AND CASH EQUIVALENTS

a. Cash and cash equivalents

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Cash for immediate withdrawal	548,020	484,695	127,672
Cash equivalents - short-term deposits	338,025	88,962	23,434
	886,045	573,657	151,106
Composition by currency types:			
Euro	471,363	336,874	88,736
US Dollar	2,188	128,560	33,863
Israeli Shekel	400,471	98,830	26,033
Other	12,023	9,393	2,474
	886,045	573,657	151,106

b. Securities held for trading

Shares	16,157	34,184	9,005
Bonds	1,020	21,195	5,583
Mutual Funds	1,043	31,157	8,206
	18,220	86,536	22,794

NOTE 7:- TRADE RECEIVABLES

	December 31, 2023	December 31, 2024	Convenience translation December 31, 2024
	NIS	NIS	Euro
	(In thousands)		
Open accounts	209,187	308,631	81,296
Cheques receivable and credit card companies	93,522	144,201	37,984
	302,709	452,832	119,280
Less - allowance for doubtful accounts	9,264	8,823	2,325
Trade receivables, net	293,445	444,009	116,955

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 8:- OTHER ACCOUNTS RECEIVABLE

	December 31, 2023	December 31, 2024	Convenience translation December 31, 2024
	NIS	NIS	Euro
	(In thousands)		
Associate companies and hotels under management	70,435	103,870	27,360
Prepaid expenses	65,293	59,702	15,726
Institutions	54,511	73,615	19,391
Income receivable	14,477	24,066	6,339
Others	36,837	43,806	11,539
	241,553	305,059	80,355

NOTE 9:- LONG-TERM RECEIVABLES

	December 31, 2023	December 31, 2024	Convenience translation December 31, 2024
	NIS	NIS	Euro
	(In thousands)		
Restricted deposit	23,197	21,704	5,717
Financial derivatives	1,113	45,188	11,903
Other	23,443	40,182	10,584
	47,753	107,074	28,204

NOTE 10:- INVESTMENTS

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

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Investments in other companies and partnerships accounted for on equity basis	2,142,316	2,083,567	548,829
Capital note and loans to other companies and partnerships accounted for on equity basis	913,196	1,148,274	302,464
	3,055,512	3,231,841	851,293

Additional information:

1. 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. During the reporting period the investee company made a classification change for investee hotels from inventory to investment real estate. Following the change, the assets were valued according to their fair value. The Company's share in the revaluation is about GBP 25 million (about NIS 117 million).

   It should also be noted that during July 2024, the investee company was provided with a loan from a banking corporation in the amount of GBP 525 million, which was used, together with the injection of funds by the partners, to repay a loan of GBP 610 million. The Company's share of the proceeds used to repay the loan and related costs is approximately GBP 62 million.

NOTE 10:- INVESTMENTS (Cont.)

2. On April 2022, Fattal Properties (Europe) Ltd, which is 100% owned in final chain of ownership by the Company (hereinafter – "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.
   It should be noted that during the period of the report, Fattal Properties (Europe) invested a further EUR 16.7 million according to its share in calls for money made by the Partnership. As of the date of approval of the financial statements, Fattal Properties (Europe) invested a total of about EUR 97 million out of its total commitment (EUR 100 million).

   Up to December 31, 2024, 19 hotels were purchased in UK, Poland, Cyprus, Austria, Greece, Germany, Spain and Italy at a total cost of about EUR 651 million.

3. 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 2 above operates. As of the date of approval of the financial statements, investment commitments have been received totalling approximately EUR 542.4 million (the Company’s share is EUR 158.8 million).

   As of the date of the Financial Statements, Fattal Properties (Europe) invested approximately EUR 60 million as per its share of calls for money made by the Partnership III, out of which a total of approximately EUR 20 million were transferred back (net, offsetting the investment in the call for money) and that is for the amount Fattal Properties (Europe) paid for the hotels that were designate for Partnership III during the time of its establishment.

   As of the date of publication of the Financial Statements, agreements were signed for purchasing 24 hotels in Netherlands, France, Spain, Italy, Germany Ireland and the UK in a total value of approximately EUR 716 million.

   As part of the acquisition of the 24 hotels as described above, in July 2024, 12 hotels in the Netherlands were acquired at a total cost of approximately EUR 370 million (before investments required for planned renovations). Partnership III invested 76.47% in the transaction (approximately EUR 108 million). In addition, Fattal Properties (Europe) acquired an additional 9.97% of this portfolio through a joint venture with another financial institution (13.56%), and for this purpose Fattal Properties (Europe) injected a total of EUR 14 million to complete the transaction.

4. For details regarding the acquisition of an investee company and initial consolidation during the reporting period, see Note 5 above.

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement

2024

	Land and buildings (b) (c)	Furniture and equipment	Operating equipment	Leasehold improvements	Total
	NIS (In thousands)				
Cost:					
Balance at January 1, 2024	7,429,033	2,632,933	112,457	619,333	10,793,756
Additions during the year	528,662	298,169	12,528	99,212	938,571
Revaluation recognized in other comprehensive income	355,138	-	-	-	355,138
Entry into consolidation	1,723,229	-	-	-	1,723,229
Exit from consolidation	(170,227)	(8,817)	(1,837)	-	(180,881)
Impairment of fixed assets	(7,488)	-	-	-	(7,488)
Adjustments arising from translating financial statements	(193,927)	(122,844)	-	(3,473)	(320,244)
Balance at December 31, 2024	9,664,420	2,799,441	123,148	715,072	13,302,081
Accumulated depreciation:					
Balance at January 1, 2024	1,209,661	1,391,044	103,548	168,187	2,872,440
Additions during the year	106,177	228,030	13,134	34,802	382,143
Depreciation of revaluation	56,119	-	-	-	56,119
Exit from consolidation	(31,112)	(8,046)	(1,723)	-	(40,881)
Adjustments arising from translating financial statements	(47,961)	(67,053)	-	(667)	(115,681)
Balance at December 31, 2024	1,292,884	1,543,975	114,959	202,322	3,154,140
Depreciated cost at December 31, 2024	8,371,536	1,255,466	8,189	512,750	10,147,941

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

2024

	Land and buildings (b) (c)	Furniture and equipment	Operating equipment	Leasehold improvements	Total
	Convenience translation into Euro				
	(In thousands)				
Cost:					
Balance at January 1, 2024	1,956,862	693,534	29,622	163,137	2,843,155
Additions during the year	139,254	78,540	3,300	26,133	247,227
Revaluation recognized in other comprehensive income	93,546	-	-	-	93,546
Entry into consolidation	453,911	-	-	-	453,911
Exit from consolidation	(44,839)	(2,322)	(484)	-	(47,645)
Impairment of fixed assets	(1,972)	-	-	-	(1,972)
Adjustments arising from translating financial statements	(51,082)	(32,358)	-	(915)	(84,355)
Balance at December 31, 2024	2,545,680	737,394	32,438	188,355	3,503,867
Accumulated depreciation:					
Balance at January 1, 2024	318,634	366,410	27,275	44,302	756,621
Additions during the year	27,967	60,065	3,460	9,167	100,659
Depreciation of revaluation	14,782	-	-	-	14,782
Adjustments arising from translating financial statements	(8,195)	(2,119)	(454)	-	(10,768)
Reclassification to a property held for sale	(12,633)	(17,662)	-	(176)	(30,471)
Balance at December 31, 2024	340,555	406,694	30,281	53,293	830,823
Depreciated cost at December 31, 2024	2,205,125	330,700	2,157	135,062	2,673,044

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

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 11:- 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, 2024, an amount of approximately NIS 2.3 billion (2023 – approximately NIS 1.9 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 (2023 – 7.25%-8.5%), and a discount rate of 6.28% (2023 – 6.42%) 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 232.6/(218.8) 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 11:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

The Company updated the value of the fixed assets as of December 31, 2024 in accordance with valuation updates received from the appraisers, and according to which it recorded an increase in total value of approximately NIS 348 million, of which a total of approximately NIS 355 million was reflected in a revaluation capital fund (before the effect of tax) and about NIS 7 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 370 million.

d. As for liens, see Note 22.

NOTE 12:- SHORT-TERM CREDIT FROM BANKS AND OTHERS

a. Composition

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Short-term credit from banks	35,926	40,514	10,672
Commercial securities *)		100,000	26,341
Current maturities of long-term loans	403,926	505,707	133,204
	439,852	646,221	170,217

*) On July 22, 2024, the Company completed a public offering of NIS 100,000 thousands par value of Commercial securities (Series 1) for a total consideration of NIS 100,000 thousands. The Commercial securities (Series 1) bears a variable annual interest rate, calculated as a weighted average (according to the number of days in the interest period) of Bank of Israel interest rates that were in effect during the interest period plus a fixed annual margin of 0.6%. The principal of the Commercial securities (Series 1) and interest thereon will be payable in a single installment payable on July 21, 2025.

b. As for guarantees, see Note 22.

c. As for financial covenants, see Note 15b.

NOTE 13:- TRADE PAYABLES

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Open accounts	243,184	219,836	57,906
Notes payable	27,105	74,245	19,557
	270,289	294,081	77,463

NOTE 14:- OTHER ACCOUNTS PAYABLE

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Accrued expenses	420,078	375,537	98,918
Salaries and related expenses *)	203,562	191,960	50,564
Advance payments from customers	203,162	201,973	53,201
Interest payable	35,621	55,226	14,547
Institutions	17,266	16,276	4,287
Financial derivatives	14,016	-	-
Club members	8,189	8,629	2,273
Others	94,138	54,396	14,330
	996,032	903,997	238,120
*) Includes accrued vacation and convalescence	35,978	47,150	12,420

NOTE 15:- LOANS FROM BANKS AND OTHERS

a. Composition:

	Annual interest rate *)	December 31, 2023 Balance	December 31, 2023 Balance, net of current maturities	December 31, 2024 Balance	December 31, 2024 Balance, net of current maturities	Convenience translation December 31, 2024 Balance	Convenience translation December 31, 2024 Balance, net of current maturities
	%	NIS				Euro	
		(In thousands)					
Unlinked **)	6.43	945,885	804,202	1,847,835	1,604,084	486,733	422,530
Linked to Israeli CPI	2.17	592,215	469,972	753,056	639,980	198,361	168,575
Linked to US dollar/in US dollar ***)	6.62	81,694	66,621	238,942	210,985	62,939	55,575
Linked to Euro/in Euro	4.94	1,878,412	1,755,703	1,859,245	1,740,517	489,739	458,466
Linked to GBP/in GBP ***)	7.76	294,487	292,269	367,727	365,532	96,862	96,284
Total		3,792,693	3,388,767	5,066,805	4,561,098	1,334,634	1,201,430

*) Weighted average rate as of December 31, 2024.

**) The balance bears variable interest.

NOTE 15:- 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 2024 the ratio of Net Financial Debt to Adjusted EBITDA will not exceed 8.25 for two consecutive quarters;

In the year 2025 onwards the ratio shall not exceed 8, 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 2024 the ratio between Net Financial Debt and the Adjusted EBITDA of Fattal Hotels will not exceed 8.25 for two consecutive quarters;

In the year 2025 onwards the ratio shall not exceed 8, for two consecutive quarters;

NOTE 15:- 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, 2024, 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 18a.

d. As for collaterals given, see Note 22.

NOTE 16:- DEBENTURES

	Annual interest rate *)	December 31, 2023 Balance	December 31, 2023 Balance, net of current maturities	December 31, 2024 Balance	December 31, 2024 Balance, net of current maturities	Convenience translation December 31, 2024 Balance	Convenience translation December 31, 2024 Balance, net of current maturities
	%	NIS (In thousands)				Euro	
Debentures (1)	3.19	1,552,397	1,281,859	1,509,593	1,236,751	397,639	325,770
Debentures of an investee company (2)	4.91	1,322,353	1,056,568	1,291,886	1,024,378	340,291	269,828
Total		2,874,750	2,338,427	2,801,479	2,261,129	737,930	595,598

*) Weighted average rate as of December 31, 2024.

	Bonds in the Company				
	Bonds (Series B)	Bonds (Series C)	Convertible Bonds (Series1)	Bonds (Series D)	Bonds (Series E)
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. February 2021 (conversion following an exchange purchase offer) 6. February 2023 (Series expansion)	1. December, 2019 2. February 2021 (extension following an exchange purchase offer) 3. April, 2021 4. January 2022 (Series expansion)	November, 2020	1. July 2022 2. December 2023	February 2024
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	210,343
Total nominal value of bonds in circulation at December 31, 2024 (NIS thousands)	211,280	679,636	7,562	395,600	210,343
Issuance expenses (NIS thousands)	5,307	6,366	1,885	3,695	1,714
Liability value in the financial statements at December 31, 2024 (NIS thousands)	206,381	664,987	6,373	423,011	208,840
Nominal rate of interest	3.25%	2.16%	4.00%	3.25%	6.33%

NOTE 16:- DEBENTURES (Cont.)

	Bonds in the Company				
	Bonds (Series B)	**Bonds (Series C)**	**Convertible Bonds (Series1)**	**Bonds (Series D)**	**Bonds (Series E)**
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%	6.61%
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	28/02/2027-31/08/2032 12 unequal semi-annual installments
Linkage basis (principal and interest)	Unlinked	Unlinked	Unlinked	Linked	Uninked
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%.	The main points of the criteria set forth in the issue of (Series E) bonds are: (1) The Company's shareholders' equity shall not be less than NIS 2,100 million. (2) The ratio of adjusted net financial debt to CAP, as defined in trust deed, shall not exceed 76%.

NOTE 16:- DEBENTURES (Cont.)

	Bonds in 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) 5. September 2022 (Series expansion) 6. May 2023 (Series expansion)	1. August 2020 2. October 2023 (Series expansion)	1. August 2023 2. September 2024 (Series expansion)
Nominal value on issue date (NIS thousands)	595,000	868,679	405,000	416,852
Total nominal value of bonds in circulation at December 31, 2024 (NIS thousands)	95,860	512,126	281,250	416,852
Balance of issue expenses as of December 31, 20234 (NIS thousands)	2,902	14,051	3,007	2,743
Liability value in the financial statements as of December 31, 2024 (NIS thousands)	25,162	131,459	72,977	110,146
Nominal rate of interest	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 143 million (approximately EURO 35 million).			
Principal repayment dates	15/08/2017-15/08/2025 17 unequal semi-annual payments	30/08/2018-30/08/2027 10 unequal semi-annual payments	30/09/2022-30/09/2026 9 unequal annual payments	31/12/2023-30/06/2029 5 equal 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 16:- 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.

NOTE 16:- DEBENTURES (Cont.)

(*) 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.

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.

NOTE 16:- DEBENTURES (Cont.)

(*) 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.

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.

As of the date of the Financial Statements, 288,959,280 Bonds (Series 1) which constitute about 96% of the total Bonds (Series 1) in circulation, were converted into 970,250 ordinary shares and 3,444,824 par value were paid in accordance with the terms of the Trust Deed. The rest of the Bonds (Series 1) in circulation (7,562,896 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 16:- 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.

NOTE 16:- DEBENTURES (Cont.)

(*) 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.

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, 2023.

On February 16, 2025, the Company expanded the series of bonds (Series E) by allocating to the public NIS 246,602 thousand par value bonds (Series E) of NIS 1 par value each of the Company, registered for trading, for a gross cash consideration of NIS 263,617 thousand (before deducting issuance costs of approximately NIS 2 million), at a price of NIS 1.069 per NIS 1 par value.

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

NOTE 16:- 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 16:- 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).

NOTE 16:- DEBENTURES (Cont.)

(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.

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.

(*) Bonds (Series E):

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:- DEBENTURES (Cont.)

(*) Bonds (Series F):

In March 2025, Fattal Properties (Europe) issued to the public NIS 223,674 thousand par value bonds (Series F) of NIS 1 par value, registered for trading, for gross cash consideration of approx. NIS 223 million (before deducting issuance costs of approx. NIS 2 million). The bonds are denominated in shekels, bear annual interest at a rate of 5.59%, and are not index-linked (principal and interest).
The Bonds (Series F) will be repayable in seven annual instalments on September 30 of each of the years 2028 to 2034 (inclusive) commencing September 30, 2028, such that each of the first four instalments will constitute 10% of the total principal amount of the Bonds (Series F), and each of the last three instalments will constitute 20% of the total principal amount of the Bonds (Series F). The first principal payment will be paid on September 30, 2028, and the last principal payment will be paid on September 30, 2034.

In addition, as part of the issuance, Fattal Properties (Europe) committed to financial benchmarks, as defined in the trust deed, the main ones being:

1. The capital to balance sheet ratio must not be less than 23%.
2. The shareholders' equity of Fattal Properties (Europe) must not be less than EUR 270 million.

In addition, the trust deed for the bonds provides a mechanism for adjusting the interest rate in accordance with a change in the bond rating and in the event of a violation of the following financial benchmarks:

1. The capital to balance sheet ratio must not be less than 27%.
2. The shareholders' equity of Fattal Properties (Europe) will not be less than EUR 300 million.

Dividend distribution limit - Fattal Properties (Europe) undertakes that it will not make a distribution exceeding 50% of the distributable profits, taking into account the definitions and limitations as defined in the trust deed.

NOTE 17:- 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 11 above.

a. Information about lease:

	December 31, 2023	December 31, 2024	
	NIS	NIS	Euro
		(In thousands)	
Total cash outflow for leases	1,372,663	1,527,014	402,227

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, 2023	December 31, 2024	
	NIS	NIS	Euro
		(In thousands)	
Fixed lease payments	368,925	374,904	98,753
Variable lease payments	137,118	128,759	33,916
Total lease payments	506,043	503,663	132,669

NOTE 17:- 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 17:- LEASES (Cont.)

d. Disclosures on right-of-use assets:

2024

	Hotels	
	December 31, 2024	
	NIS	Euro
	(In thousands)	
Cost:		
Balance as of January 1, 2024	16,305,878	4,295,090
Additions during the year:		
a company consolidated for the first time	73,273	19,301
Additions to usage right properties due to new leases during the period	540,966	142,494
Adjustments for indexation	566,215	149,145
Adjustments for changes in lease terms	167,001	43,989
Adjustments arising from translating financial statements of foreign operations	(452,507)	(119,194)
Disposals during the year:		
Disposals from right-of-use assets due to leases terminated during the period	(1,189,367)	(313,288)
Balance as of December 31, 2024	16,011,459	4,217,537
Accumulated depreciation:		
Balance as of January 1, 2024	3,368,521	887,293
Additions during the year:		
Depreciation and amortizations	804,461	211,901
Adjustments arising from translating financial statements of foreign operations	(115,315)	(30,375)
Disposals during the year:		
Disposals from right-of-use assets	(440,755)	(116,098)
Balance as of December 31, 2024	3,616,912	952,721
Depreciated cost at December 31, 2024	12,394,547	3,264,816

NOTE 17:- LEASES (Cont.)

	Hotels
	December 31, 2023
	NIS (In thousands)
Cost:	
Balance as of January 1, 2023	14,284,770
Additions during the year:	
Additions to usage right properties due to new leases during the period	420,945
Adjustments for indexation	501,861
Adjustments for changes in lease terms	119,570
Adjustments arising from translating financial statements of foreign operations	1,011,216
Disposals during the year:	
Disposals from right-of-use assets due to leases terminated during the period	(32,484)
Balance as of December 31, 2023	16,305,878
Accumulated depreciation:	
Balance as of January 1, 2023	2,468,711
Additions during the year:	
Depreciation and amortizations	776,825
Adjustments arising from translating financial statements of foreign operations	155,469
Disposals during the year:	
Disposals from right-of-use assets	(32,484)
Balance as of December 31, 2023	3,368,521
Depreciated cost at December 31, 2023	12,937,357

e. For an analysis of maturity dates of lease liabilities, see Note 18b.

NOTE 18:- 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 2024, there were significant changes in the foreign currency exchange rates to which the Group is exposed. Most of the exposure stems from foreign operations whose functional currency are the euro and pound sterling, in respect of which another comprehensive loss totaling NIS 121,789 thousand was recorded (in a capital reserve from adjustments due to financial statements translation) for the period ended on December 31, 2024, 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 18:- 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 3.3 billion, which constitute about 42% 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.
The Group has bonds as well as loans from banking corporations linked to the Consumer Price Index in the amount of about NIS 1.5 billion , which is about 15% 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 18:- 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)	
2024			
Loans in NIS	1%+	(19,470)	(5,129)
Loans in Pound Sterling	1%+	(3,677)	(969)
Loans in Euro	1%+	(7,050)	(1,857)
Loans in dollar	1%+	(2,389)	(629)
Loans in NIS	1%-	19,470	5,129
Loans in Pound Sterling	1%-	3,677	969
Loans in Euro	1%-	7,050	1,857
Loans in dollar	1%-	2,389	629

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

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

NOTE 18:- 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, 2024

	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	294,081	-	-	-	-	-	294,081	77,463
Other accounts payable	703,032	-	-	-	-	-	703,032	185,184
Other non-current liabilities	12,000	42,055	2,055	14,724	14,724	16,129	101,687	26,784
commercial securities	105,100	-	-	-	-	-	105,100	27,684
Debentures	642,418	774,102	624,891	388,725	285,277	471,652	3,187,065	839,497
Liabilities from leases of right-of-use assets	1,308,534	1,307,040	1,305,198	1,309,843	1,280,883	15,680,100	22,191,598	5,845,432
Loans from banks and others	773,017	1,458,792	812,840	875,543	1,316,061	499,361	5,735,614	1,510,803
	3,838,182	3,581,989	2,744,984	2,588,835	2,896,945	16,667,242	32,318,177	8,512,847

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
	NIS						
	(In thousands)						
Trade payables	270,289	-	-	-	-	-	270,289
Other accounts payable	792,921	-	-	-	-	-	792,921
Other non-current liabilities	-	29,017	9,882	21,443	21,443	24,218	106,003
Debentures	629,055	612,323	744,248	475,543	247,496	540,760	3,249,425
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
Loans from banks and others	627,580	747,505	989,784	689,835	662,378	756,578	4,473,660
	3,667,987	2,739,704	3,087,868	2,527,805	2,275,318	17,625,550	31,924,232

NOTE 18:- 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, 2023		December 31, 2024		Convenience translation December 31, 2024	
	Book value(*)	Fair value	Book value(*)	Fair value	Book value (*)	Fair value
	NIS (In thousands)				Euro	
Loans from banking corporations and other liabilities						
Debentures (Level 1 of the fair value hierarchy)	2,897,835	2,806,316	2,834,369	2,797,566	746,594	736,900
Fixed interest loans (Level 3 of the fair value hierarchy)	1,868,730	1,815,224	1,869,205	1,874,436	492,363	493,740
Total	4,766,565	4,621,540	4,703,574	4,672,002	1,238,957	1,230,640

(*) Including interest payable.

d. Changes in liabilities deriving from financing activity:

2024

	January 1, 2024	Cash flows	Effect of changes in exchange rates	Other changes	December 31, 2024
	NIS (In thousands)				
Bonds	2,874,750	(106,826)	-	33,555	2,801,479
Liabilities from leases of right-of-use assets	14,607,702	(816,606)	(385,716)	698,723	14,104,103
Loans from banking corporations	3,828,619	1,103,669	(72,075)	347,103	5,207,316
	21,311,071	180,237	(457,791)	1,079,381	22,112,898

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

	January 1, 2024	Cash flows	Effect of changes in exchange rates	Other changes	December 31, 2024
			Euro (In thousands)		
Bonds	757,231	(28,139)	-	8,838	737,930
Liabilities from leases of right-of-use assets	3,847,777	(215,100)	(101,600)	184,048	3,715,125
Loans from banking corporations	1,008,487	290,715	(18,985)	91,431	1,371,648
	5,613,495	47,479	(120,585)	284,317	5,824,703

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

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	115,284	3,397,923
	17,242,151	613,797	390,244	986,406	19,232,598

NOTE 19:- 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 20:- OTHER NON-CURRENT LIABILITIES

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Institutions	18,957	51,768	13,636
Financial derivatives	29,543	-	-
Liability in respect of lease	1,914	1,760	464
Others	46,706	58,367	15,374
	97,120	111,895	29,474

NOTE 21:- 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 68 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. As part of a mediation process, Management estimates, based on the opinion of the Group's legal advisors, that the Company has exposure in immaterial amounts.

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 21:- 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:

Location of property	Transaction date	Transaction type	No. of rooms	Percentage holding	Property cost (100%) / Annual rent	Expected date of opening / Lease period
Esslingen, Germany	January, 2024	Leased	151	100%	About € 1.1 million	Operated since acquisition date
Brno, Czech	March, 2024	Leased	165	100%	About € 1.5 million	2028
Bad Gastein, Austria	May, 2024	Leased	110	100%	About € 1.2 million	2026
Madrid, Spain	June, 2024	Leased	210	100%	About € 2.4 million	2026
Derby, England (1)	September, 2024	Acquisition	213	100%	About £ 18 million	Operated since acquisition date
Newcastle, England (1)	September, 2024	Acquisition	274	100%	About £ 17.5 million	Operated since acquisition date
Liverpool, England (2)	November, 2024	Acquisition	310	100%	About £ 36.5 million	Operated since acquisition date
Berlin, Germany	November, 2024	Leased	225	100%	About € 2.2 million	2028
Tel Aviv, Israel	December, 2024	Acquisition	22	100%	About ₪ 58 million	2025
Jaffa, Israel (3)	December, 2024	Acquisition	119	100%	About $ 119 million	2025
Mainz, Germany	January, 2025	Leased	217	100%	About € 2.1 million	2025

1. The hotels listed above were leased and operated by the Company until the date of purchase. The transaction was completed in November 2024.

2. As of the date of the report, the Company paid an advance on the purchase of the hotel in the amount of approx. £ 3.65 million. The transaction was completed in March 2025. It should be noted that the hotel was leased and operated by the Company as of the date of the transaction.

3. In December 2024, the Company entered into an agreement to purchase a hotel in Jaffa, Tel Aviv. The hotel includes 119 rooms and 2,259 sq. mtrs. of residential space available for sale (including balcony space). As of the date of approval of the financial statements, the Company had paid an advance on the purchase of the hotel amounting to $ 26 million. Completion of the transaction is expected to be in April 2025.

c. In March 2017, a transaction was signed and was not completed due to technical and bureaucratic issues, in the framework of which it was agreed that Fattal Hotels Ltd, will acquire the full rights in Leonardo Plaza Hotel Eilat (50% current holding).

In addition, the sale will be completed of Fattal Hotels' share in the shares of a subsidiary that owns Leonardo Beach Tel Aviv Hotel to a partner in the Company. Both transactions were completed in June 2024.

NOTE 21:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

d. For details regarding the purchase of an investee company and initial consolidation during the reporting period, see Note 5 above.

e. For more details about the purchase of hotels through an investee partnership, see Section 10b and 10c.

NOTE 22:- LIENS AND GUARANTEES

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

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Short-term credit	35,847	32,508	8,563
Loans from banking corporations and others, bonds, including current maturities	3,984,292	4,995,413	1,315,829
	4,020,139	5,027,921	1,324,392

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. Regarding collateral given against bonds of an investee company, see Note 16(2) above.

d. As of the balance sheet date, the Group has provided bank guarantees amounting to approximately NIS 94 million and EUR 142 million, mainly to secure various lease and management agreements and obligations to banks in Israel or overseas of investee companies and partnerships.

e. The Group guaranteed up to a total of about EUR 121.8 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 2.4 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.

NOTE 22:- LIENS AND GUARANTEES (Cont.)

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 23:- EQUITY

a. Composition of share capital:

	December 31, 2023		December 31, 2024	
	Authorized	Issued and paid-up	Authorized	Issued and paid-up
	Number of shares			
Ordinary shares of NIS 1 par value each	50,000,000	16,428,241	50,000,000	16,460,256

(*) For details about the conversion of bonds to shares, see Note 16(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.

NOTE 23:- EQUITY (Cont.)

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 15b and 16.

NOTE 24:- 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.

NOTE 24:- TAXES ON INCOME (Cont.)

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.

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.

NOTE 24:- TAXES ON INCOME (Cont.)

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.

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) <u>Other tax benefits</u>:

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.

NOTE 24:- TAXES ON INCOME (Cont.)

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.

3. The Pillar 2 rules have been enacted in certain of the countries in which the Group operate. The legislation came into effect as of the fiscal year beginning on January 1, 2024. 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, Hungary and Ireland (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 based on 2024 data and is examining the expected implications on its consolidated financial statements. Regardless, the adjustment resulting from the Pillar 2 rules is not expected to have a material impact on the company's consolidated financial statements.

b. Tax rates applicable to the Group companies:

1. Companies in Israel:

The Israeli corporate income tax rate was 23% in 2024, 2023 and 2022.

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

NOTE 24:- 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 19% and 25.8%.
Taxable income of up to EUR 200 thousand will be taxed at a tax rate of 19%, and beyond this amount - 25.8% tax.
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 23%.
The corporate tax rate applicable to England and Scotland resident companies is 25%.
Companies whose profits are less than £ 250,000 will be taxed at a corporate tax rate, ranging from 19%-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%.
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.

NOTE 24:- TAXES ON INCOME (Cont.)

d. Tax assessments:

Final tax assessments:

The Company has final assessments up to and including the 2019 tax year and subject to certain conditions.

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

Fattal Properties (Europe) has final assessments up to and including the 2020 tax.

To a Group companies in Israel, held directly and indirectly by the company, final tax assessments up to and including the 2021 tax year.

The other Group companies in Israel have final tax assessments or are considered final up to and including the 2019 tax year.

Most of the Group companies in Germany have final tax assessments or are considered final up to and including the 2016 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.

e. Carryforward losses for tax purposes:

Carryforward tax losses of consolidated companies in Israel total approximately NIS 59 million as of December 31, 2024.

Carryforward tax losses of consolidated companies abroad total approximately EUR 444 million as of December 31, 2024.

In respect of accumulated losses amounting to approximately NIS 681 million, the Group has created a deferred tax asset of approximately NIS 174 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.

NOTE 24:- TAXES ON INCOME (Cont.)

f. Deferred taxes:

Composition:

	Statement of financial position		
			Convenience translation
	December 31,		December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Deferred tax liabilities:			
Right-of-use assets, net	(3,729,132)	(3,597,805)	(947,689)
Depreciable property, plant and equipment	(432,741)	(470,855)	(124,027)
Other temporary differences	(76,543)	(365,357)	(96,238)
	(4,238,416)	(4,434,017)	(1,167,954)
Deferred tax assets:			
Right-of-use assets, net	4,308,195	4,197,330	1,105,608
Depreciable property, plant and equipment	879	855	225
Carry-forward tax losses	193,960	174,625	45,998
	4,503,034	4,372,810	1,151,831

NOTE 24:- TAXES ON INCOME (Cont.)

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

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Non-current assets	778,104	782,059	206,000
Non-current liabilities	(513,486)	(843,266)	(222,123)

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 24b(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,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Current taxes	(30,615)	(77,804)	(142,854)	(37,629)
Prior years' taxes	7,551	(477)	23,951	6,309
Deferred taxes	78,263	67,489	47,335	12,468
	55,199	(10,792)	(71,568)	(18,852)

h. Taxes on income relating to other comprehensive income:

Mainly in respect of the revaluation of fixed assets, amounting to NIS 78,437 thousand, NIS 84,893 thousand and NIS 58,456 thousand as of December 31, 2024, 2023 and 2022, respectively.

NOTE 24:- 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,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Income (Loss) for the period before taxes on income (tax benefit)	(133,655)	55,870	349,712	92,117
Statutory tax rate in Israel	23%	23%	23%	23%
Tax at the statutory tax rate in Israel	(30,741)	12,850	80,434	21,187
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	(198)	1,072	22,059	5,811
Recognition of deferred taxes for losses from prior years	(48,862)	(1,854)	-	-
Losses in the reporting year for which no deferred taxes were created	2,342	4,986	12,517	3,297
Income at different tax rates	(15,847)	(3,198)	(16,920)	(4,457)
Prior years' taxes	41,312	477	(23,951)	(6,309)
Other differences	(3,205)	(3,541)	(2,571)	(677)
	(55,199)	10,792	71,568	18,852
Effective tax rate	41%	19%	20%	20%

NOTE 25:- REVENUES FROM HOSPITALITY SERVICES AND OTHERS

	Year ended December 31,			Convenience translation Year ended December 31,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Rooms	4,236,121	5,352,594	5,745,634	1,513,441
Food and beverages	864,222	1,148,780	1,232,845	324,741
Other services	345,176	378,715	386,500	101,807
Hotel management fees	25,899	48,371	79,424	20,922
	5,471,418	6,928,460	7,444,403	1,960,911

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 26:- COST OF REVENUES

	Year ended December 31,			Convenience translation Year ended December 31,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Salaries and related expenses	1,292,579	1,593,832	1,762,474	464,250
Expenses relating to rooms department	663,368	887,940	930,726	245,161
Food and beverages	469,262	569,103	580,524	152,914
Maintenance and energy expenses	433,880	483,631	459,018	120,909
Municipal taxes and insurance	167,785	178,851	192,357	50,668
Others	50,733	61,259	55,414	14,595
	3,077,607	3,774,616	3,980,513	1,048,497

NOTE 27:- SELLING AND MARKETING EXPENSES

	Year ended December 31,			Convenience translation Year ended December 31,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Advertising and marketing	97,771	87,385	108,151	28,487
Salaries and related expenses	36,815	46,476	48,485	12,772
	134,586	133,861	156,636	41,259

NOTE 28:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,			Convenience translation Year ended December 31,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Salaries and related expenses	215,649	280,887	282,285	74,356
Professional services	63,606	75,631	89,676	23,621
Credit card commissions	51,761	75,198	75,542	19,898
Office, expenses, communication and postage	44,166	62,821	64,596	17,015
Vehicle maintenance	5,364	5,807	5,608	1,477
Others	53,669	67,189	64,681	17,038
	434,215	567,533	582,388	153,405

NOTE 29:- OTHER OPERATING EXPENSES (INCOME), NET

	Year ended December 31,			Convenience translation Year ended December 31,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Gain from obtaining control of an investee	-	-	(266,045)	(70,078)
Decrease (increase) in Impairment of property, plant, equipment and investments	(2,713)	6,012	7,488	1,972
Prior years' expenses	3,473	10,240	-	-
Reduction in rent payments	(21,403)	-	-	-
Other (income) expenses	(1,305)	22,076	27,304	7,192
	(21,948)	38,328	(231,253)	(60,914)

NOTE 30:- FINANCIAL EXPENSES, NET

	Year ended December 31,			Convenience translation Year ended December 31,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
Financial expenses in respect of long-term loans and bonds	217,553	301,296	367,587	96,826
Expenses in respect of derivative financial instruments	1,067	9,873	(25,666)	(6,761)
Others	14,752	2,095	(982)	(259)
	233,372	313,264	340,939	89,806

NOTE 31:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties

	December 31,		Convenience translation December 31,
	2023	2024	2024
	NIS		Euro
	(In thousands)		
Current assets:			
Associate companies – See Note 8	66,960	100,793	26,550
Non-current assets – Capital Note and loans to companies and other partnerships treated under the equity method– See Note 10	913,196	1,148,274	302,464
Current liabilities:			
Shareholders	6,529	6,771	1,784
Non-current liabilities:			
Shareholders	8,883	5,110	1,346

NOTE 31:- 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,
	2022	2023	2024	2024
	NIS (In thousands)			Euro
Salaries and related expenses to interested parties **)	(18,135)	(20,485)	(22,478)	(5,921)
Management fees from companies and partnerships accounted for at equity	11,470	46,506	67,973	17,905
Remuneration of directors not employed in the Company	(560)	(1,615)	(1,974)	(520)
Number of directors to whom the benefit refers	4	4	6	6

*) 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 31:- 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,
	2022	2023	2024	2024
	NIS			Euro
	(In thousands)			
	9,441	9,990	10,109	2,663

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 € 0.5 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 32:- 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,	
	2022		2023		2024		2024	
	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)	16,158	(78,775)	16,428	45,185	16,435	278,220	16,435	73,285
For the computation of diluted income (loss)	16,158	(78,775)	16,411	45,185	16,487	278,220	16,487	73,285

NOTE 33:- 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 33:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

2024

	Year ended December 31, 2024								
	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 (In thousands)								Euro
Segment revenues	1,894,154	2,926,789	2,417,133	706,928	(500,601)	7,444,403	-	7,444,403	1,960,911
Cost of Revenue	(1,089,172)	(1,806,121)	(1,091,236)	(299,099)	305,115	(3,980,513)	-	(3,980,513)	(1,048,497)
Operating income before depreciation and amortization, other operating expenses and rental expenses	605,503	1,109,345	861,422	306,114	(157,518)	2,724,866	-	2,724,866	717,750
Operating income before depreciation and amortization and other operating expenses	491,689	604,253	299,406	193,092	(371,220)	1,217,220	1,370,213	2,587,433	681,549
Depreciation and amortization	(127,983)	(223,930)	(141,788)	(75,011)	130,665	(438,047)	(804,461)	(1,242,508)	(327,286)
Other income, net								231,253	60,914
Finance expenses, net								(1,130,556)	(297,797)
Group's share of losses of associate companies and partnerships accounted for at equity								(95,910)	(25,263)
Income before taxes on income								349,712	92,117
Taxes on income								(71,568)	(18,852)
Net income								278,144	73,265

NOTE 33:- OPERATING SEGMENTS (Cont.)

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
	NIS (In thousands)							
Segment revenues	1,914,273	2,636,303	2,217,371	571,124	(410,611)	6,928,460	-	6,928,460
Cost of Revenue	(1,130,076)	(1,622,800)	(1,024,602)	(256,855)	259,717	(3,774,616)	-	(3,774,616)
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
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
Depreciation and amortization	(112,121)	(182,981)	(112,756)	(39,266)	74,798	(372,326)	(776,825)	(1,149,151)
Other expenses, net								(38,328)
Finance expenses, net								(1,048,700)
Group's share of losses of associate companies and partnerships accounted for at equity								(4,663)
Income before taxes on income								55,870
Taxes on income								(10,792)
Net income								45,078

NOTE 33:- OPERATING SEGMENTS (Cont.)

2022

	Israel	Europe (mainly Germany)	UK and Ireland	Other	Adjustments to financial reporting (before adjustments for IFRS 16)	Total	Adjustments for IFRS 16	Total
	Year ended December 31, 2022							
	NIS (In thousands)							
Segment revenues	1,776,259	1,874,946	1,772,621	387,572	(339,980)	5,471,418	-	5,471,418
Cost of Revenue	(1,087,143)	(1,158,233)	(819,793)	(185,738)	173,300	(3,077,607)	-	(3,077,607)
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)

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