

Tempo Beverages Ltd.

Consolidated Financial Statements

As of December 31, 2023

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Consolidated Statement of Financial Position as at

	Note	December 31	
		2023	2022
		NIS thousands	NIS thousands
Current assets			
Cash and cash equivalents		34,710	19,342
Trade receivables	4	411,940	375,671
Other receivables	5	45,912	52,420
Derivative instruments		420	394
Inventory	6	531,983	395,439
Current tax assets		10,529	3,260
Total current assets		1,035,494	846,526
Long-term loans and receivables	7	23,833	28,252
Fixed assets	9	836,942	779,240
Intangible assets	10	115,251	14,565
Investment in equity accounted investee companies	8	76,006	84,821
Investments measured at fair value	8	11,402	11,272
Inventory in process		4,425	5,680
Deferred tax assets	24	10,780	10,686
Total non-current assets		1,078,639	934,516
Total assets		2,114,133	1,781,042

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

Consolidated Statement of Financial Position as at

	Note	December 31	
		2023	2022
		NIS thousands	NIS thousands
Liabilities			
Short-term credit from banks	11	471,754	124,592
Trade payables	12	286,483	297,039
Other payables	13	126,325	125,639
Derivative instruments		5,954	-
Current maturities of debentures	15	42,270	62,814
Current maturities of liabilities in respect of leasing	30	35,376	32,819
Current tax liabilities		873	9,298
Total current liabilities		969,035	652,201
Liabilities to banking institutions	14	15,743	28,126
Other long-term liabilities	14	12,090	2,629
Long-term liabilities in respect of leasing	30	112,554	94,255
Debentures	15	110,439	152,106
Deferred tax liabilities	24	66,831	45,315
Employee benefits	16	5,989	9,343
Total non-current liabilities		323,646	331,774
Total liabilities		1,292,681	983,975
Equity			
Non-controlling interest		2,337	567
Share capital		1	1
Share premium		147,334	147,334
Translation reserve		4,372	(987)
Retained earnings		667,408	650,152
Total equity attributable to equity holders of the Company	17	819,115	796,500
Total equity		821,452	797,067
Total liabilities and equity		2,114,133	1,781,042

Jacques Beer
Chairman of the
Board

Daniel Beer
CEO

Amir Bornstien
Deputy Chairman of
the Board

Eyal Tregerman
CFO

Date of approval of financial statements: March 26, 2024

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

Consolidated Statement of Income for the year ended December 31

		2023	2022	2021
	Note	NIS thousands	NIS thousands	NIS thousands
Revenues from sales, net	18	1,994,001	1,813,221	1,698,544
Cost of sales	19	1,375,592	1,200,267	1,099,907
Gross profit		618,409	612,954	598,637
Selling and marketing expenses	20	(393,640)	(360,992)	(348,776)
General and administrative expenses	22	(103,508)	(92,139)	(83,051)
Other income	21	33,853	6,807	6,457
Other expenses	21	(18,500)	(3,765)	-
Operating profit		136,614	162,865	173,267
Financing income	23	1,915	4,603	6,118
Financing expenses	23	(44,631)	(17,731)	(16,858)
Financing expenses, net		(42,716)	(13,128)	(10,740)
Share in profits (losses) of equity-accounted investee companies	8	(7,159)	(844)	2,860
Profit before taxes on income		86,739	148,893	165,387
Taxes on income	24	(15,956)	(35,696)	(39,540)
Profit for the year		70,783	113,197	125,847
Profit (loss) attributed to:				
Equity holders of the Company		71,267	113,310	125,839
Non-controlling interest		(484)	(113)	8
		70,783	113,197	125,847

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

**Consolidated Statement of Income and Loss and Other Comprehensive Income
for the year ended December 31**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Profit for the year	70,783	113,197	125,847
Components of the other comprehensive income after initial recognition were or will be carried to profit and loss:			
Foreign currency translation differences in respect of foreign operations	5,359	5,366	(5,090)
Components of the other comprehensive income not carried to profit and loss:			
Defined benefit plan actuarial gains (losses), net of tax	<u>989</u>	<u>1,646</u>	<u>(143)</u>
Other comprehensive gains (losses), net of tax	<u>6,348</u>	<u>7,012</u>	<u>(5,233)</u>
Total comprehensive income for the year	<u>77,131</u>	<u>120,209</u>	<u>120,614</u>
Comprehensive income (loss) attributed to:			
Equity holders of the Company	77,615	120,322	120,606
Non-controlling interests	<u>(484)</u>	<u>(113)</u>	<u>8</u>
Total comprehensive income for the year	<u>77,131</u>	<u>120,209</u>	<u>120,614</u>

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

Statement of Changes in Shareholders' Equity

	Attributable to the shareholders of the Company					Non-controlling interests	Total equity
	Share Capital	Share Premium	Translation Reserve	Retained Earnings	Total		
	NIS thousands						
For the year ended December 31, 2023							
Balance as at January 1, 2023	1	147,334	(987)	650,152	796,500	567	797,067
Dividend paid	-	-	-	(55,000)	(55,000)	-	(55,000)
Foreign currency translation differences in respect of foreign operations	-	-	5,359	-	5,359	-	5,359
Actuarial gains from defined benefit plan, net of tax	-	-	-	989	989	-	989
Minority interest in respect of business combination	-	-	-	-	-	2,254	2,254
Profit for the year	-	-	-	71,267	71,267	(484)	70,783
Balance as at December 31, 2023	1	147,334	4,372	667,408	819,115	2,337	821,452
For the year ended December 31, 2022							
Balance as at January 1, 2022	1	147,334	(6,353)	598,096	739,078	680	739,758
Dividend paid	-	-	-	(62,900)	(62,900)	-	(62,900)
Foreign currency translation differences in respect of foreign operations	-	-	5,366	-	5,366	-	5,366
Actuarial gains from defined benefit plan, net of tax	-	-	-	1,646	1,646	-	1,646
Profit for the year	-	-	-	113,310	113,310	(113)	113,197
Balance as at December 31, 2022	1	147,334	(987)	650,152	796,500	567	797,067
For the year ended December 31, 2021							
Balance as at January 1, 2021	1	147,334	(1,263)	507,400	653,472	672	654,144
Dividend paid	-	-	-	(35,000)	(35,000)	-	(35,000)
Foreign currency translation differences in respect of foreign operations	-	-	(5,090)	-	(5,090)	-	(5,090)
Actuarial losses from defined benefit plan, net of tax	-	-	-	(143)	(143)	-	(143)
Profit for the year	-	-	-	125,839	125,839	8	125,847
Balance as at December 31, 2021	1	147,334	(6,353)	598,096	739,078	680	739,758

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

Statement of Cash Flows for the Year ended December 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Cash flows from operating activities			
Net income for the year	70,783	113,197	125,847
Adjustments:			
Depreciation and amortization	148,738	144,820	135,123
Share of Company in profits (losses) of equity-accounted investee companies	7,159	844	(2,860)
Profit on revaluation of investments, net	(28,300)	(2,000)	(2,578)
Financing expenses, net	30,446	15,161	13,695
Capital loss from sale of fixed assets, net	152	4,204	2,740
Tax expenses on income	15,956	35,696	39,540
	<u>244,934</u>	<u>311,922</u>	<u>311,507</u>
Change in inventory	(91,015)	(64,296)	(30,092)
Change in trade receivables and other receivables	24,001	(72,536)	(25,644)
Change in trade payables and other payables	(22,900)	12,521	76,633
Change in employee benefits	1,397	1,506	3,325
	<u>(88,517)</u>	<u>(122,805)</u>	<u>24,222</u>
Income tax paid	(27,893)	(30,643)	(25,832)
Net cash provided by operating activities	<u>128,524</u>	<u>158,474</u>	<u>309,897</u>
Cash flows from investment activities			
Acquisition of subsidiaries net of cash received	(47,381)	-	-
Investment in investee companies and partnerships	(33,885)	(31,726)	(20,289)
Payment of deferred consideration in respect of acquisition of subsidiary	-	-	(612)
Dividends received	15,000	360	2,950
Investments in companies measured at fair value	(1,130)	(1,236)	(3,758)
Proceeds from sale of fixed assets	1,135	310	797
Acquisition of fixed assets	(118,013)	(85,500)	(96,046)
Acquisition of intangible assets	(5,388)	(2,823)	(2,409)
Investment in long-term receivables	(24,557)	(29,880)	(28,924)
Receipts from investment in long-term receivables	11,354	14,352	11,409
Net cash used in investment activities	<u>(202,865)</u>	<u>(136,143)</u>	<u>(136,882)</u>

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

Statement of Cash Flows for the Year ended December 31 (cont'd)

	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Cash flows from financing activities			
Repayment of short-term credit, net	292,548	91,134	(11,021)
Dividend paid	(55,000)	(62,900)	(35,000)
Repayment of debentures	(61,266)	(22,220)	(41,743)
Repayment of long-term banks loans	(16,367)	(18,662)	(19,861)
Repayment of principal of liabilities in respect of leasing	(39,196)	(32,846)	(31,331)
Repayment of other long- term liabilities	(140)	(140)	(140)
Interest paid	(31,055)	(14,076)	(13,720)
Net cash provided by (used in) financing activities	89,524	(59,710)	(152,816)
Net change in cash and cash equivalents	15,183	(37,379)	20,199
Cash and cash equivalents as at the beginning of the year	19,342	56,527	36,924
Impact of exchange rate fluctuations on balance of cash and cash equivalents	185	194	(596)
Cash and cash equivalents as at the end of the year	34,710	19,342	56,527

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

Notes to the Consolidated Financial Statements

Note 1 – General

A. The reporting entity

Tempo Beverages Ltd. (hereinafter – the “Company”) is an Israeli-resident company which was incorporated in Israel. The official address of the Company is 2 Giborei Israel Street, Sapir Industrial Zone, Netanya. The consolidated financial statements of the Company as of December 31, 2023 include those of the Company and its subsidiaries (hereinafter together – the “Group”), and the rights of the Group in equity-accounted investee companies and partnership. The Company is held under the joint control of Tempo Holdings (2021) Ltd. (hereinafter – “Tempo Holdings”) (60%), and Heineken International B.V. (40%). The Group engages in the manufacture, import, marketing and distribution of non-alcoholic beverages, light alcoholic beverages, alcoholic beverages, wines and hard drinks. The Company also started selling and distributing food products.

The debentures of the Company are listed for trade on the Tel Aviv Stock Exchange.

B. The Iron Swords War

The "Iron Swords" war that broke out on October 7, 2023 (hereinafter: the "**war**") led, inter alia, to a slowdown and a reduction in business activity in the economy.

The Company continues to experience a continuing negative impact on its profitability, which is mainly caused by changes in exchange rates, interest rate increases and price increases carried out by the Company's suppliers in the past year. In addition, the war impacted, especially in the first months of the war, the consumption habits of alcohol and wine products, and there is a noticeable decline in the Company's sales volumes in these areas. On the other hand, there was an increase in sales in other product categories in which the company operates, in particular, the water and seltzer categories. In addition, a significant portion of the Company's on-trade market customers have ceased their activities completely and some have still not returned to activity or have partially returned, although the loss of sales is partially compensated by the Company's other sales channels. The material damage caused to the activities of on-trade market customers as aforesaid, may impair their ability to pay their debts to the Company.

C. Definitions

In these financial statements -

1. **The Company** – Tempo Beverages Limited.
2. **The Group** – Tempo Beverages Limited and its consolidated subsidiaries
3. **Consolidated companies / subsidiaries** – Companies, whose financial statements are fully consolidated, directly or indirectly, with those of the Company.
4. **Investee companies and partnership** – Companies and a partnership, including a joint venture, the investment of the Company in which is included, directly or indirectly, in the financial statements on the equity basis.
5. **Joint arrangements** – Arrangements in which the Group has joint control, achieved pursuant to a contractual agreement that requires unanimous consent regarding activities that significantly impact the yield from the arrangement.
6. **Parent Company / Tempo Holdings** – Tempo Holdings (2021) Ltd.
7. **Interested parties** – As defined in Paragraph (1) of the definition of an “interested party” in a company in Article 1 of the Securities Law – 1968.
8. **Related party** - As defined in International Accounting Standard 24 (2009), “Related Party Disclosures”.

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements

A. Statement of compliance with IFRS

The consolidated financial statements have been prepared by the Group in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared also in accordance with the Securities Regulations (Annual Financial Statements) - 2010.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on March 26, 2024.

B. Functional and presentation currency

These consolidated financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest thousand. The NIS is the currency that represents the principal economic environment in which the Company operates.

C. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Derivative financial instruments measured at fair value through profit or loss;
- Deferred tax assets and liabilities;
- Assets and liabilities in respect of employee benefits;
- Inventory measured at the lower of cost and net realization value.
- Investments in affiliated companies / joint ventures
- Investments measured at fair value

For further information regarding the measurement and these assets and liabilities see Note 3 regarding significant accounting policies.

D. Use of estimates and judgments

Use of estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Group's financial statements requires that management of the Company make assumptions regarding circumstances and events that involve considerable uncertainty. Company Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year is presented in the following notes:

Contingent liabilities

Management of the Company assesses whether it is more likely than not that an outflow of economic resources will be required in respect of legal claims pending against the Company and its investees based on, inter alia, the opinion of its legal counsel. For further information on the Company's exposure to claims see Note 28 regarding contingent liabilities.

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements (cont'd)**D. Use of estimates and judgments (cont.)**Determining fair value

For purposes of preparing the financial statements, the Company must determine the fair value of certain assets and liabilities. Additional information pertaining to the determination of the fair value is included in Note 26 – Financial Instruments.

In determining the fair value of an asset or liability, the Group uses observed market data whenever possible. The measurement of fair value is divided into three levels in the fair value hierarchy, based on data used in the valuation, as follows:

- Level 1: quoted (unadjusted) data on an active market for identical instruments.
- Level 2: directly or indirectly observed, not included in Level 1.
- Level 3: data not based on observed market data.

E. Operating cycle

The ordinary operating cycle of the Company is one year. Current assets and current liabilities are items that are designated and expected to be realized within the Company's ordinary operating cycle. The operating cycles of the Barkan segment is mostly one to two years. As a result, current assets and current liabilities also include items the realization of which is intended and anticipated to take place within the operating cycle of these operations of up to two years.

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in accounting policies

Initial application of new standards, amendments to standards and interpretations

Standard/amendment/interpretation	The requirements of the publication	Effective date and transitional provisions	Effects
(1) Amendment to IAS 1, <i>Presentation of Financial Statements: "Disclosure of Accounting Policies."</i>	<p>According to the amendment, companies must provide disclosure of their material accounting policies rather than their significant accounting policies. Pursuant to the amendment, accounting policy information is material if, when considered with other information disclosed in the financial statements, it can be reasonably expected to influence decisions that the users of the financial statements make on the basis of those financial statements.</p> <p>The amendment to IAS 1 also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment also clarifies that immaterial accounting policy information need not be disclosed.</p>	The amendment is initially applied in the annual financial statements for 2023.	As a result of applying the Amendment, the extent of the accounting policy disclosure provided in the financial statements for 2023 was reduced and adjusted according to the Company's specific circumstances.

Notes to the Consolidated Financial Statements

Note 2 - Basis of Preparation of the Financial Statements (cont'd)

F. Changes in accounting policies (cont'd)

Initial application of new standards, amendments to standards and interpretations (cont'd)

Standard/amendment/ Interpretation	The requirements of the publication	Effective date and transitional provisions	Effects
(2) Amendment to IAS 12, <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	<p>The Amendment narrows the scope of the exemption from recognizing deferred taxes as a result of temporary differences created at the initial recognition of assets and/or liabilities, so that it does not apply to transactions that give rise to equal and offsetting temporary differences.</p> <p>As a result, companies will need to recognize a deferred tax asset or a deferred tax liability for these temporary differences at the initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for decommissioning and restoration.</p>	<p>The Amendment is effective for annual periods beginning on or after January 1, 2023. For deferred taxes arising from leases and decommissioning and restoration liabilities, the Amendment is applied by amending the opening balance of retained earnings for the earliest comparative data presented.</p>	<p>Application of the Amendment did not have a material effect on the financial statements.</p>

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies

The significant accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. In this note, in all places in which the Group elected accounting alternatives permitted by accounting standards and/or elected accounting policy regarding an issue for which there is no explicit provision in accounting standards, disclosure is set out in **bold** type. The bold type does not indicate that such accounting policy is more important than the non-bolded accounting policies.

A. Basis of consolidation

(1) Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control.

The Group recognizes goodwill as of the date of acquisition on the basis of the fair value of the consideration that was transferred and the fair value as of the date of acquisition of an equity right in the acquiree that was previously held by the Group, less the net amount that was allocated upon acquisition to identifiable assets that were acquired and to liabilities that were assumed. In a business combination that was achieved in stages, **the difference between the fair value as of the date of acquisition of the equity rights in the acquiree that were previously held by the Group and the carrying value as of the same date is carried to profit and loss as part of the item entitled "revenues" or "other expenses"**.

(2) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control is lost.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

A. Basis of consolidation (cont'd)

(3) Non-controlling interests

Transactions with non-controlling interests, while retaining control

Transactions with non-controlling interests while retaining control are accounted for as equity transactions. **Any difference between the consideration paid and the change in non-controlling interests is included in the owners' share in equity of the Company directly in retained earnings.**

B. Investment in associate companies and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. There is a rebuttable presumption that significant influence exists when the Group holds between 20% and 50% of another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account. Joint ventures are joint arrangements in which the Group has rights to the net assets of the arrangement. The investments in associates and joint ventures are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees.

C. Foreign currency

Foreign operations

The Group has foreign operations consisting of the sale, marketing and distribution of beverages in Cyprus, the functional currency of which is the Euro. The assets and liabilities of the foreign operations were translated into shekels on the basis of the exchange rates that were in effect as of the reporting date. Expenses and revenues of the foreign operations were translated into shekels on the basis of the exchange rates that were in effect as of the date of the transactions.

The exchange rate differentials in respect of the translation are recognized in other comprehensive income and are presented in equity under the item entitled "Foreign currency translation differences in respect of foreign operations (hereinafter – "Translation Reserve").

The Company placed at the disposal of the foreign operations a Euro-denominated loan, the settlement of which is not planned and is not expected in the foreseeable future. Gains and losses on translation differentials that derive from this loan are included as part of the investment in the foreign operations, net, are recognized in other comprehensive income and are presented in equity as part of the translation reserve.

D. Financial instruments

(1) Non-derivative financial assets

Initial recognition of financial assets

The principle financial assets of the Group are: cash and cash equivalents, trade accounts receivable, accounts receivable and loans. The financial assets are initially recognized on the date on which the Company becomes a party to their contractual terms.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost, less any impairment losses.

Notes to the Consolidated Financial Statements

Note 3 – Significant Accounting Policies (cont'd)

D. Financial instruments (cont'd)

(1) Non-derivative financial assets (cont'd)

Financial assets impaired by credit risk

At each reporting date, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract such as a default or payments being past due;

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(2) Derivative financial instruments

Hedges

Derivatives are recognized initially at fair value. Attributable transaction costs are carried to profit and loss when incurred. **Changes in the fair value of derivatives are recognized immediately in profit or loss under financing income or expenses.**

(3) Non-derivative financial liabilities

The principle financial liabilities of the Group are: loans from banks, trade accounts payable and accounts payable. Financial liabilities are initially recognized on the date on which the Company becomes a party to their contractual terms.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

E. Fixed assets

(1) Recognition and measurement

Fixed asset items are measured at cost less accumulated depreciation and cumulative impairment losses

Cost includes expenditures that are directly attributable to the acquisition of the asset and any cost that is directly attributable to bringing the asset to the location and working condition that enable it to operate in accordance with the intentions of Management.

When major parts of a fixed asset item (including costs of major periodic inspections) have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Gains and losses on disposal of a fixed asset item are determined by comparing the proceeds from disposal with the carrying amount of the asset, and are recognized net within "other income" or "other expenses", as relevant, in profit or loss.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

E. Fixed assets (cont'd)

(2) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost, less its residual value.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item. Leased assets under finance lease agreements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably expected that the Group will obtain ownership of the asset at the end of the leasing period.

The estimated useful lives for the current and comparative periods are as follows:

	<u>Years</u>
• Lands under finance lease and buildings	20 – 50
• Machinery and equipment	10
• Office furniture and equipment	3 – 10
• Motor vehicles and Boats	5 – 17
• Computers	3 – 4
• Selling equipment	3 – 5
• Returnable packaging	2 – 10
• Vineyards	4 – 10

F. Intangible assets

Intangible assets, including in respect of import rights, brand names, distribution rights and customer relations, acquired by the Group and having finite useful lives, are measured at cost, less amortization.

Goodwill generated as a result of the acquisition of subsidiaries is presented as part of intangible assets. For additional information on the measurement of goodwill upon initial recognition, see section A(1) above.

In succeeding periods, goodwill is measured at cost, less accrued impairment losses.

Amortization

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset.

Amortization is recognized in profit or loss on a straight-line basis, over the estimated useful lives of the intangible assets from the date they are available for use. Goodwill is not systematically amortized, rather it is checked at least once a year for impairment.

The estimated useful lives are as follows:

	<u>Years</u>
• Software	3 – 5
• Distribution rights	5 – 7
• Customer relations	10
• Import agreements	17-19

The Group examines at least at the end of each year the estimates regarding the amortization method and the useful lives. When necessary, adjustments are made to these estimates.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

G. Inventories

Inventories are measured at the lower of cost and net realizable value. **The cost of raw material inventories is based on the “moving average” method**, and includes expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition.

In the case of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

H. Impairment

(1) Non-financial assets

The timing of impairment testing

The carrying amounts of the Company's fixed assets and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Once a year and on the same date, or more frequently if there are indications of impairment, the Group estimates the recoverable amount of each cash generating unit that contains goodwill.

Measuring a recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset or cash-generating unit.

Recognition of an impairment loss

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(2) Investments in associates and joint ventures

An investment in an associate or joint venture is tested for impairment when objective evidence indicates there has been impairment.

An impairment loss is recognized when the carrying amount of the investment, after applying the equity method, exceeds its recoverable amount. An impairment loss is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate or in the joint venture.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recognized, and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

I. Provisions

A provision in respect of an accrued expense is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

J. Revenue

The Company operates in four operating segments, as set out in Note 31 and it recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Company expects to be entitled in exchange for the transfer of goods or services promised to the customer, other than amounts collected for third parties.

Determining the price of the transaction

The transaction price is the amount of the consideration to which the Company expects to be entitled in exchange for the goods transferred to the customer. When determining the transaction price, the Company takes into account the effects in respect of amounts that may vary as a result of discounts, returns, credits, waivers of price, incentives and bonuses.

K. Financing income and expenses

In the statements of cash flows, dividends received are presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows from financing activities.

L. Income tax expenses

Income tax expenses include current and deferred tax. Income tax expenses are recognized in profit or loss or in other comprehensive income in the event that they derive from items that are carried to other comprehensive income.

Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include changes in tax payments related to prior years.

Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- The initial recognition of goodwill,
- Differences relating to investments in subsidiaries, joint arrangements and associates, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized in the accounting records in respect of carried forward losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Notes to the Consolidated Financial Statements

Note 3 - Significant Accounting Policies (cont'd)

M. Leases

(1) Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

(2) Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease. Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used.

Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

(3) The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

(4) Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

(5) Depreciation of right-of-use asset

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the useful life or contractual lease period, whichever earlier, as follows:

- Vineyards 9-22 years
- Buildings 2-16 years
- Motor vehicles 3-7 years

Notes to the Consolidated Financial Statements

Note 4 – Trade accounts receivable

	December 31,	
	2023	2022
	NIS'000	NIS'000
Trade accounts receivable(*)	436,088	400,287
Less; provision for impairment	(24,148)	(24,616)
	411,940	375,671

(*) See also Note 26A.

Note 5 - Other receivables

	December 31,	
	2023	2022
	NIS'000	NIS'000
Employees	1,688	1,887
Institutions	4,967	3,835
Advances to suppliers	6,605	2,074
Prepaid expenses	9,243	4,330
Income receivable	18,822	18,053
Other receivables	4,357	22,011
Current maturities of long-term receivables	230	230
	45,912	52,420

Note 6 - Inventories

	December 31,	
	2023	2022
	NIS'000	NIS'000
Raw and auxiliary materials	27,071	26,206
Packaging and other materials	87,522	49,316
Products in process	102,327	111,327
Finished and purchased goods	315,063	208,590
	531,983	395,439

Notes to the Consolidated Financial Statements

Note 7 – Long-term loans and receivables

	December 31,	
	2023	2022
	NIS'000	NIS'000
Long-term liabilities	50,705	48,869
Less accumulated amortization	(40,935)	(36,281)
Amortized cost	9,770	12,588
Loans to others	14,293	15,894
Less: current maturities	(230)	(230)
Net balance	14,063	15,664
	23,833	28,252

Note 8 - Investee Companies

A. Details pertaining to the directly and indirectly-held entities of the Group

	Incorporated and operates in	% of ownership and voting December 31, 2023	% of ownership and voting December 31, 2022
Consolidated companies			
Tempo Marketing (1981) Ltd. (hereinafter – “Tempo Marketing”)	Israel	100%	100%
Aqua Nova Waters Ltd.	Israel	100%	100%
Barkan Wineries Ltd.	Israel	100%	100%
Tempo Beverages Cyprus Ltd.	Cyprus	100%	100%
Tempo Food Ltd.	Israel	100%	100%
Adir R.Y. Trading Ltd. (see C below)	Israel	100%	50%
A. Seyman Trade Ltd. (see I below)	Israel	100%	40%
Sumitz Holdings Ltd.	Israel	60%	45%
Equity-accounted companies			
Masterpiece Team Ltd.	Israel	50%	50%
Sparks Foodtech Food Technologies L.P.	Israel	25%	25%
Shapiro Brewery Ltd.	Israel	50.1%	50.1%

B. Barkan Wineries Ltd. (hereinafter – “Barkan Wineries”)

Barkan Wineries is a private company, engaged primarily in the production, import, and marketing of wines and alcoholic beverages.

Tempo Marketing purchases and exclusively distributes the products manufactured and imported by Barkan Wineries Group in the State of Israel and the Palestinian Authority, this during a period of five years, commencing from the date on which the purchase and distribution agreement of Barkan Wineries went into effect (January 2005). At the end of the engagement period, the agreement is automatically renewed for additional periods of five years each.

Notes to the Consolidated Financial Statements

Note 8 - Investee Companies (cont'd)

B. Barkan Wineries Ltd. (cont'd)

To secure the liabilities of Barkan Wineries to three banks, the Company furnished guarantees to each of the aforementioned banks. The guarantees amounted to NIS 120 million, NIS 70 million and NIS 40 million. Should the liabilities of Barkan Wineries to each of the banks fall below NIS 40 million, NIS 35 million and NIS 20 million, respectively, the Company has the right to cancel the guarantees. As of December 31, 2023, the liabilities of Barkan Wineries to these banks amounted to NIS 66 million.

Barkan Wineries undertook toward some of the banks that finance it that the Company would remain a controlling shareholder in Barkan Wineries.

C. Adir R.Y. Trade Ltd. (hereinafter – “Adir”)

In 2017 and 2016, the Company purchased 50% of the shares of Adir. Adir is a company engaged in, among other things, the import, marketing and distribution of soft drinks.

The Company and Adir signed a distribution agreement whereby the Company will serve as the sole distributor of Adir's products (hereinafter – the “Products”) in Israel and in the Palestinian Authority. In addition, the Company will render additional logistical services dealing with the distribution of the products.

On February 14, 2023, an agreement was signed between the Company and the other shareholders in Adir, whereby the Company would purchase the shares of Adir held by the other shareholders (50%) for an amount of NIS 50 million and an additional consideration to be paid on the basis of the profits of Adir in the years 2023 – 2024, but not less than NIS 10 million. As part of the agreement and as part of the consideration in shares, the selling shareholders agreed to waive claims against the Company.

On June 1, 2023, the acquisition transaction was completed and commencing from that date, the Company holds 100% of the shares of Adir.

As part of the acquisition, the Company generated a gain of NIS 29,300 thousand, representing the profit deriving from the measurement to fair value of the shares held by the Company immediately prior to attaining control. This profit was recognized in the statement of income under the item entitled “Other Income”.

On the basis of the opinion of its consultants, the Company allocated out of the amount of the consideration of the acquisition, an amount of NIS 17,500 thousand, to settle the exposure in respect of the results of possible claims against the Company and its shareholders. The Company recognized this amount in its statement of income under the item entitled “Other Expenses”.

The following is a summary of the manner in which the Company determined the fair value of the assets and liabilities that were recognized as part of the business combination:

Intangible assets

Import agreements – The fair value of the import agreements was calculated using the Multi-period Excess Earnings Method, whereby the fair value of the asset is calculated by discounting the net cash flow after deducting the required yield on other assets that contribute to the generation of the cash flows attributed to the asset.

Inventory

The fair value of inventory is calculated on the basis of the estimated selling price of the inventory during the normal course of business, net of the estimated costs to complete and sell the inventory, plus a reasonable profit margin based on the means needed to complete and sell the inventory.

Notes to the Consolidated Financial Statements

Note 8 - Investee Companies (cont'd)

C. Adir R.Y. Trade Ltd. (cont'd)

Goodwill

Further to the acquisition, goodwill was recognized at an amount equal to the cost of the acquisition less the fair value of the rights acquired, in an amount of NIS 9,500 thousand.

The Company is a guarantor for the liabilities of Adir toward the bank that finances its activity. The amount of the liabilities of Adir to which the Company is a guarantor as of December 31, 2023 is NIS 25 million.

D. Tempo Beverages Cyprus Ltd.

During March 2017, the Company inaugurated its activity in Cyprus, including marketing, sales and distribution of beverage products, including products sold by it in Israel. The activity is conducted through Tempo Beverages Cyprus Ltd., a wholly-owned subsidiary of the Company, which was incorporated under the laws of Cyprus (hereinafter – “Temp Cyprus”). Among other products, Tempo Cyprus sells and markets beers produced by Heineken and a variety of alcohol products under the Pernod Ricard label.

E. Masterpiece Team Ltd. (hereinafter – “Masterpiece”)

On August 9, 2018, an agreement went into effect, whereby the Company signed an agreement with Rotdan's Group Ltd., the importer of flavored vodka marketed under the "Van Gogh" brand name (hereinafter – the “Van Gogh agreement”, “Rotdan's” and the “Products”, respectively), whereby: (i) the Company acquired half of all of the rights pursuant to the agreement with the holder of the "Van Gogh" brand, for the marketing, sale and distribution of the Products within the borders of the State of Israel and the Palestinian Authority (hereinafter – the “brand owner”, the “franchise agreement”, and the “territory”, respectively); (ii) the Company and Rotdan's founded a company held jointly in equal shares (hereinafter – the “Joint Company”) and each one of them transferred to the joint company its share in the franchise agreement, against an allotment of shares in the joint company; and (iii) the joint company entered into an agreement with the brand holder for the marketing, sale and distribution of the products within the borders of the State of Israel for a period ending on February 28, 2025 (hereinafter – the “New Franchise Agreement”).

The New Franchise Agreement set out minimum purchase targets of products from the brand holder, and if the joint company does not meet such targets, the brand holder has the right, within the restrictions set out in the New Franchise Agreement, to cancel the agreement. In addition, the franchise agreement sets the prices and the payment terms of the products, as well as causes for the cancellation of the agreement.

The Van Gogh Agreement contains provisions regarding the activity of the Joint Company, the management of the Joint Company and the rights and obligations of the parties as shareholders in the Joint Company – each party versus the other party.

In accordance with the terms set out in the agreement, decisions regarding certain activities will be made solely with the consent of all of the shareholders. Therefore, the investment constitutes a joint arrangement. The joint arrangement is treated as a joint venture, accounted for under the equity method.

Notes to the Consolidated Financial Statements

Note 8 - Investee Companies (cont'd)

E. Masterpiece Team Ltd. (cont'd)

Concurrent with the above, a distribution agreement was signed between the Joint Company and the Company, whereby the Company will hold the sole rights to perform the sales and distribution activity of the products in the territory (hereinafter – the “Distribution Agreement”). The Distribution Agreement contains provisions regarding to, among other things, restrictions on the sale of products that compete with the "Products", minimum quantities in respect of which, if the Company does not meet, the Joint Company will have cause to cancel the Distribution Agreement, the distribution commission, marketing, sales promotion and running the operation dealing with the products.

The Company is guarantor for the liabilities of Masterpiece to the bank that finances its activity, on the basis of the relevant portion of the Company in the shares of Masterpiece. As of December 31, 2023, the amount of the Masterpiece liabilities for which the Company is a guarantor toward the bank is NIS 500 thousand.

F. Sumitz Holdings Ltd. (hereinafter – “Sumitz”)

On September 25, 2019, an agreement signed between the Company and Sumitz Ltd. went into effect (hereinafter – the “agreement”). Sumitz Ltd. is the holder of the franchise usage rights to import “Zumex” juice squeezing machines (hereinafter – the “franchise”) and, in addition, it sells, distributes and markets vegetables and fruit in cold storage for use in preparing juice.

Pursuant to the provisions of the agreement, (i) Sumitz was established and the intangible assets connected to operations were transferred to it from Sumitz Ltd, in return for an allotment of shares in accordance with article 104A of the Income Tax Ordinance; (ii) Sumitz acquired from Sumitz Ltd. and from the holder of shares in Sumitz Ltd fixed assets, inventory and the franchise; (iii) Sumitz allotted to the Company and to Adir, in equal parts, shares constituting 60% of its share capital in return for NIS 5.25 million; (iv) Sumitz entered into a new franchise agreement with the owner of the Zumex brand names, valid through December 31, 2024.

Subsequent to the date of the statement of financial position, on January 13, 2024, the Company acquired from Sumitz Ltd. an additional 14.99% of the shares of Sumitz.

The Company guaranteed the liabilities of Sumitz toward the bank that finances its operations, in accordance with the relative holding of the Company in the shares of Sumitz. The amount of the Sumitz liabilities which are directly and indirectly guaranteed by the Company as of December 31, 2023 is NIS 2.1 million.

Notes to the Consolidated Financial Statements

Note 8 - Investee Companies (cont'd)

G. Sparks Foodtech Food Technologies Limited Partnership (hereinafter – “Sparks Foodtech”)

On June 11, 2019, the Innovation Authority decided that a consortium of investors, including the Company, the Tnuva Food Enterprise and the OurCrowd and Finestere Investment Funds (all in equal shares) won a tender to set up and operate a technology incubator in the field of foods (foodtech) (hereinafter – the “Incubator”) previously issued by the Innovation Authority.

Pursuant to the terms of the tender, Sparks Foodtech was established in the Safed regional district for a period of eight years. Sparks Foodtech engages in locating promoters and startup companies in the foodtech industry, with an initial investment together with the Innovation Authority. In addition, Sparks Foodtech also engages in accompaniment and assistance to the portfolio companies in the initial life cycle stages of those companies. According to the business plan of the incubator, Sparks Foodtech invests in projects over the period of its operations, and according to the investment model, the State of Israel invests in those companies 85% of the amount of the investment, with Sparks investing the balance of the amount of the investment (15%).

Sparks Foodtech has the option of purchasing the share of the State of Israel in each portfolio company, in return for payment of the amount the State of Israel invested, plus interest, subject to the fulfillment of a number of various conditions.

H. Shapiro Brewery Ltd. (hereinafter – “Shapiro”)

On June 23, 2021, The Company acquired 50.1% of the shares of Shapiro. Shapiro is engaged in the production and marketing of Kraft Beer under the “Shapiro” brand name. Concurrently, a distribution agreement was signed between the Company and Shapiro, whereby the Company will serve as the sole distributor of Shapiro products to retail customers in Israel, in return for the payment of a distribution commission for a period of ten years.

In accordance with the terms set out in the agreement, decisions regarding certain activities will be made solely with the consent of all of the shareholders. Therefore, the investment constitutes a joint arrangement. The joint arrangement is treated as a joint venture, accounted for under the equity method.

I. A. Seyman Trade Ltd. (hereinafter – “Seyman”)

On November 9, 2021, Tempo Food Ltd. (a wholly-owned subsidiary of the Company) (hereinafter – “Tempo Food”) signed an agreement to acquire 24% of the shares of Seyman, a company engaged in the import, marketing and sale of quality food products, including cheeses, butters and additional milk products, spreads, fruit delicacies and delicatessen products.

As part of the aforementioned acquisition agreement, Tempo Food was awarded options to purchase additional shares of Seyman, up to a holding of 100% of the shares of Seyman. On March 31, 2022, Tempo Food exercised the first option granted to it and purchased an additional 16% of the Seyman shares, thereby increasing its percentage in Seyman to 40%.

On June 27, 2023, an agreement was signed between the Company and the other shareholders in Seyman, whereby the Company acquired the balance of the shares held by them (60%), thereby granting the Company all of the shares of Seyman.

In consideration of the acquisition, the Company paid NIS 24.2 million. Part of the consideration of the acquisition will be paid by the Company in 2024 and 2025. The Company undertook to provide Seyman with the financial resource it needs to continue its ongoing operations in 2024.

Notes to the Consolidated Financial Statements

Note 8 - Investee Companies (cont'd)

I. A. Seyman Trade Ltd. (cont'd)

The following is a description of the manner in which the Company determined the fair value of the assets and liabilities that were recognized as part of the business combination:

Intangible assets

Import agreements – The fair value of the import agreements was calculated using the Multi-period Excess Earnings Method, whereby the fair value of the asset is calculated by discounting the net cash flow after deducting the required yield on other assets that contribute to the generation of the cash flows attributed to the asset.

Goodwill

Further to the acquisition, goodwill was recognized at an amount equal to the cost of the acquisition less the fair value of the rights acquired, in an amount of NIS 2.9 thousand.

The Company is a guarantor for the liabilities of Seyman toward one of the banking institutions that finances its activity. The amount of the liabilities of Seyman to which the Company is a guarantor as of December 31, 2023 is NIS 20 million.

J. The Vega Group

On May 23, 2023, an agreement was signed between the Group and HaSadeh Organic Products Ltd., All Organic Ltd., Vega Vegan Products Ltd. and Ecogreen Green Road Ltd. (hereinafter: collectively: the "Vega Group"), which are companies active in the production, sale, export, marketing and distribution of organic, vegan and low-carb products, and between the shareholders of the Vega Group. The agreement was to acquire 51% of the issued and outstanding share capital of the Vega Group (hereinafter: the "Purchase Agreement"), in return for an initial payment of NIS 35,700 thousand. The purchase agreement set forth a price adjustment mechanism that will be carried out at the end of 2028, based on the EBITDA presented by Vega Group. The parties were given mutual options to purchase/sell the remaining share capital of the Vega Group.

It was further set forth that the Company and the Vega Group will sign a distribution agreement, whereby the Company will provide the Vega Group with storage, picking and distribution services in accordance with the terms set forth in the distribution agreement.

The purchase agreement is contingent on the fulfillment of pre-conditions that have not yet been fully met.

In addition, a shareholders' agreement was signed between the parties, including provisions regarding the management of the Vega Group, transfer of shares and areas of activity after completion of the transaction, as is customary in such transactions.

K. Dorom Food Industries (2023) Ltd. (hereinafter – "Dorom")

On May 23, 2023, an agreement was signed between the Group and Durum Food and Pasta Industries Ltd., which manufactures, markets and sells pasta products under the "Pasta Nona" brand name, whereby the Group acquired on June 30, 2023 (hereinafter: the "Closing Date") through Dorom – a wholly owned subsidiary established for this purpose, the pasta operations for NIS 9.5 million. In addition, the inventory was purchased as it was at the closing date.

The Company is a guarantor of Dorom's liabilities to the bank that finances its activities. As of December 31, 2023, the amount of Dorom's liabilities to the bank guaranteed by the Company amount to approximately NIS 13 million.

Notes to the Consolidated Financial Statements

Note 8 - Investee Companies (cont'd)**L. Investments measured at fair value**

The investments at fair value derive mainly from the investments of the Company in Re-Milk, a company engaged in the development of cultured milk. During the course of 2021, Re-Milk conducted an additional recruitment in which the Company also participated and the said investment was revalued accordingly.

During 2022, a round of fundraising was conducted in Pigmentium, a company engaged in the production of taste and smelling material, and the Company revalued its investment accordingly

Notes to the Consolidated Financial Statements

Note 9 – Fixed assets

A. Composition and changes

	Land and buildings	Machinery, equipment & instruments	Vineyards	Vehicles and boats	Office furniture, equipment & computers	Selling equipment	Returnable packaging	Total
	NIS'000							
Cost:								
Balance as of January 1, 2022	454,953	818,751	150,255	126,284	53,775	95,721	81,875	1,781,614
Additions	23,963	41,315	1,620	5,189	5,266	4,705	6,283	88,341
Additions to right-of-use assets	11,101	-	739	21,631	-	-	-	33,471
Disposals	(1,980)	(1,529)	(6,719)	(23,860)	(5,591)	(15,295)	(12,821)	(67,795)
Impact of changes in exchange rate	137	-	-	620	97	237	48	1,139
Balance as of December 31, 2022	488,174	858,537	145,895	129,864	53,547	85,368	75,385	1,836,770
 Additions	24,671	67,377	4,400	6,250	7,456	5,783	11,062	127,089
Additions to right-of-use assets	30,245	-	475	27,888	-	-	-	58,608
Additions as part of business combinations	5,589	1,964	-	5,972	2,904	6,282	-	22,711
Disposals	(3,346)	(1,382)	(1,175)	(24,066)	(8,038)	(10,188)	(7,214)	(55,409)
Impact of changes in exchange rate	64	-	-	800	118	292	53	1,327
Balance as of December 31, 2023	545,397	926,496	149,595	146,708	56,077	87,537	79,286	1,991,096

Notes to the Consolidated Financial Statements

Note 9 – Fixed assets (cont'd)

A. Composition and changes (cont'd)

	Land and buildings	Machinery, equipment & instruments	Vineyards	Vehicles and boats	Office furniture, equipment & computers	Selling equipment	Returnable packaging	Total
	NIS'000							
Depreciation								
Balance as of January 1, 2022	190,577	544,369	35,286	55,313	36,127	83,897	65,539	1,011,108
Depreciation for the year	17,119	43,567	7,675	1,722	5,168	7,032	6,222	88,505
Depreciation in respect of right-of-use assets	4,973	-	2,822	26,512	-	-	-	34,307
Disposals	(1,051)	(1,297)	(2,441)	(20,426)	(5,591)	(14,847)	(12,821)	(58,474)
Impact of changes in exchange rate	94	-	-	179	53	178	18	522
Balance as of December 31, 2022	211,712	586,639	43,342	63,300	35,757	76,260	58,958	1,075,968
Depreciation for the year	16,113	43,618	4,340	2,607	5,452	6,036	7,707	85,873
Depreciation in respect of right-of-use assets	8,069	-	2,849	29,543	-	-	-	40,461
Additions as part of business combinations	2,579	797	-	1,660	2,619	1,970	-	9,622
Disposals	(3,238)	(911)	-	(20,225)	(8,038)	(9,376)	(7,214)	(49,002)
Impact of changes in exchange rate	40	-	-	220	70	238	26	594
Balance as of December 31, 2023	235,272	630,143	50,531	77,105	35,860	75,128	59,477	1,163,516
Carrying value-depreciated cost								
As of January 1, 2022	264,376	274,382	114,969	70,971	17,648	11,824	16,336	770,506
Payments on account of fixed assets								13,197
								787,703
As of December 31, 2022	276,462	271,898	102,553	66,564	17,790	9,108	16,427	760,802
Payment on account of fixed assets								18,438
								779,240
As of December 31, 2023	310,125	296,353	99,064	69,603	20,217	12,409	19,809	827,580
Payment on account of fixed assets								9,362
								836,942

Notes to the Consolidated Financial Statements

Note 9 – Fixed assets (cont'd)

B. The group has assets that were fully depreciated but which are still in use. The original cost of these assets as of December 31, 2023 amounted to NIS 618 million (December 31, 2022 amounted to NIS 549 million).

C. Leases

The Company's property is leased under a capital lease from the Israel Lands Authority for leasing periods ending in 2048 and 2056.

D. For information pertaining to pledges, see Note 28(C).

Note 10 – Intangible assets

	Import agreements, distribution rights and others	Software	Total
	NIS'000	NIS'000	NIS'000
Cost			
Balance as at January 1, 2022	79,533	42,854	122,387
Impact of changes in the exchange rate	58	-	58
Acquisitions	-	2,823	2,823
Balance as of December 31, 2022	79,591	45,677	125,268
Impact of changes in the exchange rate	37	-	37
Acquisition as part of business combinations	102,931	-	102,931
Acquisitions	2,594	2,794	5,388
Balance as of December 31, 2023	185,153	48,471	233,624
Amortization			
Balance as at January 1, 2022	67,107	37,379	104,486
Amortization for the year	3,773	2,444	6,217
Balance as of December 31, 2022	70,880	39,823	110,703
Amortization for the year	4,891	2,779	7,670
Balance as of December 31, 2023	75,771	42,602	118,373
Carrying value			
As of January 1, 2022	12,426	5,475	17,901
As of December 31, 2022	8,711	5,854	14,565
As of December 31, 2023	109,382	5,869	115,251

Notes to the Consolidated Financial Statements

Note 11 – Short-term bank credit

This note provides information pertaining to the contractual terms of the Group's interest-bearing loans and credit, measured at amortized cost. Additional information regarding the exposure of the Group to interest, currency and liquidity risks is provided in Note 26, Financial Instruments.

Current liabilities

	Interest rates	December 31,	
	December	2023	2022
	%	NIS'000	NIS'000
Short-term loans from banks	(*) 5.92	459,001	108,376
Current maturities of long-term loans		12,753	16,216
Total current liabilities		471,754	124,592

(*) Loans bearing variable average annual interest at between the prime rate less 0.35%.

Note 12 – Trade accounts payable

	December 31,	
	2023	2022
	NIS'000	NIS'000
Open debts	286,483	297,039

For additional information pertaining to suppliers who are related and interested parties, see Note 29, Related and Interested Parties. For information regarding the exposure of the Group to currency and liquidity risks in respect of suppliers, see Note 26, Financial Instruments.

Note 13 – Other payables

	December 31,	
	2023	2022
	NIS'000	NIS'000
Liabilities to employees and other liabilities in respect of payroll (*)	48,112	45,377
Government institutions	13,048	20,418
Advances from customers	1,748	700
Packaging deposits	15,547	16,296
Liabilities to related and interested parties	4,929	9,305
Amounts payable to former shareholders of Adir and Seyman(**)	9,408	-
Other payables and accrued expenses	33,393	33,403
Current maturities of other long-term liabilities	140	140
	126,325	125,639

(*) Including a provision for vacation and convalescence pay.

(**) See Note 8

For additional information pertaining to payables who are related and interested parties, see Note 29, Related and Interested Parties. For information regarding the exposure of the Group to currency and liquidity risks in respect of suppliers, see Note 26, Financial Instruments.

Notes to the Consolidated Financial Statements

Note 14 – Long-term liabilities to banking institutions and others

A. Composition

	Interest rates	December 31,	
	December	2023	2022
	2023	NIS'000	NIS'000
	%		
Loans from banks -			
In NIS (unlinked)	2.48	28,496	44,342
Amounts payable to former shareholders of Adir and Seyman		9,480	-
Other long term liabilities		2,750	2,769
		40,726	47,111
Less – current maturities		(12,893)	(16,356)
		27,833	30,755

- B.** On February 25 and 26, 2018, the Company was furnished with loans from two banking institutions in amounts of NIS 75 million and NIS 25 million, respectively (hereinafter – the “Loans”).

The loans were furnished to the Company in lieu of short-term credit furnished in the past to the Company by banking institutions in identical amounts, for purposes of the ongoing operations of the Company.

The loans are unlinked and bear annual interest at rates of 2.5% and 2.35%, respectively, and they are repayable in quarterly payments until 2026. To secure the repayment of the NIS 75 million loan, the Company undertook to meet the following financial covenants.

The Company reached an understanding with the lender bank whereby the aforementioned financial covenants will be calculated without taking into account the impact of IFRS 16, *Leasing*.

The following is a breakdown of the financial covenants undertaken by the Company:

<u>Financial covenants</u>	<u>Financial ratio</u>	Results of calculation (as of December 31, 2023)
Ratio of tangible shareholders' equity to total balance sheet shall be no less than 20%		35.8%
Tangible shareholders' equity shall not be less than NIS 180,000 thousand, linked to the ICPI		703,144
Ratio of net debt to the EBITDA shall not exceed 3.75		2.47

Notes to the Consolidated Financial Statements

Note 15 – Debentures

A. Composition

	December 31,	
	2023	2022
	NIS'000	NIS'000
Debentures (including interest payable)	152,709	214,920
Less current maturities (including interest payable)	(42,270)	(62,814)
	110,439	152,106

B. Debentures – Series B

On September 22, 2014, the Company issued series B Debentures in a total amount of NIS 111.9 million (NIS 110.7 million net of issuance costs). The debentures are unlinked and bear fixed annual interest at a rate of 3.2%.

On July 28, 2019, the Series B debentures were expanded by a total amount of NIS 52.8 million (a net amount of NIS 52.3 million after deducting issuance costs). The debentures were issued at a fixed annual rate of interest of 1.35%.

The interest on the debentures is paid in equal semi-annual installments on June 30 and December 31 of each of the years until 2024.

The balance of the debentures is repayable December 31, 2024.

The debentures are rated by Midroog Ltd. as A1 positive.

As part of the trust deed, the following provisions, among others, were set out:

Restrictions on the distribution of a dividend:

- In the event that the shareholders' equity after the distribution amounts to at least NIS 200 million, the Company will be entitled to make a distribution of the higher of up to 50% of the net income of the Company (consolidated) for that year, or at a rate of up to 50% of the distributable income pursuant to the Companies Law which derived commencing from the financial statements of the Company as of June 30, 2014 (inclusive) on which a distribution was not made.
- In the event that the shareholders' equity after the distribution amounts to less than NIS 200 million, the Company will be entitled to make a distribution of the higher of up to 30% of the net income of the Company (consolidated) for that year, or at a rate of up to 30% of the distributable income pursuant to the Companies Law which derived commencing from the financial statements of the Company as of June 30, 2014 (inclusive) on which a distribution was not made.
- The Company is not permitted to make a distribution in the event that, following the distribution, the shareholders' equity is less than NIS 170 million.
- At the date of the declaration of the dividend distribution, the Company is not in material breach of the provisions of the trust deed.
- The Company is not permitted to make a distribution if it is not in compliance with the financial covenants that require it to pay additional interest.
- The Company is not permitted to make a distribution of revaluation income that accrued commencing with the date of the first issuance of the debentures.

Notes to the Consolidated Financial Statements

Note 15 – Debentures (cont'd)

B. Debentures – Series B (cont'd)

Restrictions on the distribution of a dividend: (cont'd)

- The Company is not permitted to make a distribution to its shareholders in the event that there exist at the Company any of the warning indicators (as that term is defined in the Securities Regulations (Periodic and Immediate Reports) – 1970). This restriction shall not apply in the event that any of the following warning indicators, in respect of which the board of directors of the Company stipulated that they do not indicate a liquidity problem at the Company: (a) a working capital deficit or a working capital deficit for a period of twelve months or continuous negative cash flow from current operations; (b) opinion or review report of the independent auditor of the Company as of the date of the financial statements that contain a clause drawing attention to the financial condition of the entity.

Interest adjustment mechanism:

- In the event that the shareholders' equity amounts to less than NIS 170 million, the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.25% per annum above the interest rate set in the tender.
- If the ratio of the shareholders' equity of the Company (including the minority interest) to the total balance sheet of the Company falls below 15%, the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.25% per annum above the interest rate set in the tender.
- If the financial debt to EBITDA ratio rises above 5, the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.25% per annum above the interest rate set in the tender.
- If the rating of the debentures by Midroog Ltd. or any other rating company that replaces Midroog falls to two rating levels below the rating of the debentures immediately prior to the issuance, (A2), the interest rate to be borne by the unamortized balance of the principal of the debentures will increase by 0.5% per annum above the interest rate set in the tender. In respect of every additional reduction in rating, the interest rate will increase by an additional 0.25%. The maximum additional interest pursuant to this mechanism shall not exceed 1% even if there is an additional reduction in the rating of the debentures.

The maximum additional interest to be granted in respect of breaches of financial covenants, together with the additional interest in respect of the aforementioned reduction in rating, shall not exceed in the aggregate 1.5% above the interest rate shareholders' equity in the tender.

Right to demand immediate repayment:

The trust deed contains a number of causes whereby the holders of the debentures have the right to demand immediate repayment, including:

- In the event that the shareholders' equity amounts to less than NIS 150 million for two successive quarters.
- If the ratio of shareholders' equity (including the minority interest) to the balance sheet falls below 14% for a period of two successive quarters.
- if the rating of the debentures falls below BBB- or an equivalent rating.
- If the debentures cease being rated for a period of at least 60 business days due to circumstances contingent solely on the Company.
- If the Company makes a distribution that does not comply with the obligations of the Company in connection with the restrictions on the distribution of a dividend, as above.

Notes to the Consolidated Financial Statements

Note 15 – Debentures (cont'd)

B. Debentures – Series B (cont'd)

Right to demand immediate repayment (cont'd):

- If any of the following were presented for immediate repayment: (1) Another (or other) series of debentures issued by the Company; (2) Another (one or more) financial debt of the Company (except for a non-recourse debt of the Company), the unamortized balance (or accumulated balances) of which at the date of the demand for immediate payment exceeds the lower of NIS 80 million or an amount that constitutes 15% of the balance sheet of the Company based on its consolidated financial statements, on condition that the lender of the aforementioned debt (including holders of debentures) did not cancel his demand to present the debt for immediate repayment within 45 days of the date that it was presented for immediate repayment.
- If control in the Company was transferred in a manner that as a result thereof, the rating of the debentures was lowered when compared with the rating immediately preceding the transfer of control and such transfer was not approved by the meeting of the holders of the debenture with a regular majority.
- If a merger took place, as part of which the Company is either the receiving company or the target company, unless the company and/or the receiving company declared in a hearing that there is no reasonable concern that as a result of the merger, the merged company will not be able to meet its liabilities to the holders of the debentures.

As of the date of approval of the financial statements, the Company is in compliance with all of the terms of the trust deed.

C. Debentures – Series C

On January 23, 2020, the Company issued Debentures Series C in an amount of NIS 150 million (NIS 149 million net of issuance costs).

On May 17, 2020, the series C debentures were expanded in an amount of NIS 50 million (NIS 49 million net of issuance costs).

The debentures are unlinked and bear fixed annual interest at a rate of 1.58% (hereinafter – the “Base Interest”). The interest in respect of the debentures is paid semi-annually, on March 31 and September 30 of each of the years until 2029.

The balance of the debentures will be repaid in six equal payments, to be paid on March 31 of each of the years from 2024 until 2029.

The debentures are rated by Midroog Ltd. as A1 positive.

The trust deed set out among other things the following provisions:

Restrictions regarding the distribution of a dividend:

- In the event that the shareholders' equity after the distribution amounts to at least NIS 725 million, the Company has the right to make a distribution at a rate of the higher of up to 75% of the annual net income of the Company (consolidated) in the same year, or up to 75% of the distributable income, pursuant to the Companies Act, which derived commencing from the Company's financial statements as at September 30, 2019 (inclusive) and on the basis of which the Company did not make a distribution.

Notes to the Consolidated Financial Statements

Note 15 – Debentures (cont'd)

C. Debentures – Series C (cont'd)

Restrictions regarding the distribution of a dividend (cont'd)

- In the event that the shareholders' equity after the distribution amounts to at least NIS 300 million, the Company has the right to make a distribution at a rate of the higher of up to 50% of the annual net income of the Company (consolidated) in the same year, or up to 50% of the distributable income, pursuant to the Companies Act, which derived commencing from the Company's financial statements as at September 30, 2019 (inclusive) and on the basis of which the Company did not make a distribution.
- In the event that the shareholders' equity after the distribution amounts to less than NIS 300 million, the Company has the right to make a distribution at a rate of the higher of up to 30% of the annual net income of the Company (consolidated) in the same year, or up to 30% of the distributable income, pursuant to the Companies Act, which derived commencing from the Company's financial statements as at September 30, 2019 (inclusive) and on the basis of which the Company did not make a distribution.
- The Company is prohibited from making a distribution in the event that the shareholders' equity after the distribution amounts to less than NIS 255 million.
- At the date of the declaration of the distribution, the Company is not in a material breach of the provisions of the trust deed.
- The Company is prohibited from making a distribution if the Company is not compliance of the financial covenants that require it to pay additional interest.
- The Company is prohibited from making a distribution of evaluation profits generated commencing from the date of the initial issuance of the debentures.
- The Company is prohibited from making a distribution shareholders in the event that any of the warning signs exist in respect of the Company (as the term is defined in the Securities Regulations (Periodic and Immediate Reports) – 1970).

Financial covenants and interest adjustment mechanism:

- If the shareholders' equity of the Company falls below NIS 300 million, the interest rate in respect of the unamortized balance of the principal of the debentures shall increase by 0.25% per annum above the base interest rate.
- If the ratio of the shareholders' equity of the Company (including minority rights) to the total balance sheet of the Company falls below 17.5%, the interest rate in respect of the unamortized balance of the principal of the debentures shall increase by 0.25% per annum above the base interest rate.
- If the ratio of the net financial debt to EBITDA increase to more than 5, the interest rate in respect of the unamortized balance of the principal of the debentures shall increase by 0.25% per annum above the base interest rate.
- In the event that the rating of the debentures by Midroog Ltd. or by any other rating company that replaces Midroog Ltd. falls by two ratings below the rating of the Company immediately prior to the issuance (A1), the annual interest in respect of the unamortized balance of the principal of the debentures shall increase by 0.5% per annum above the base interest rate. In respect of any further decrease in rating, the interest rate shall increase by an additional 0.25%. The maximum increase in interest pursuant to this mechanism shall not exceed 1%, even if there is an additional lowering of the rating of the debentures.

Notes to the Consolidated Financial Statements

Note 15 – Debentures (cont'd)

C. Debentures – Series C (cont'd)

Financial covenants and interest adjustment mechanism (cont'd)

The maximum amount of the increase in interest to be granted in respect of a breach of financial covenants, together with the additional interest in respect of the aforementioned reduction in rating, shall not increase by an aggregate amount of more than 1.5% above the base interest rate.

The right to demand immediate repayment:

In addition to standard causes for demanding immediate repayment, including non-repayment or non-fulfillment of a material liability, a material impairment of the Company's business and a real concern regarding non-compliance with material liabilities toward holders of debentures, failure to issue financial statements, suspension or delisting of debentures, default events (freezing proceedings, an arrangement pursuant to article 350, a compromise or arrangement, liquidation, seizure of company assets (in whole or in part), receivership, etc.), various actions by the Sheriff's office against the Company, a merger subject to exceptions, a fundamental breach of the terms of the debentures, as well as a situation in which the Company ceases or declares its intention to cease repayment of its debts, etc., the debentures will be presented for immediate repayment in the following cases:

- If the shareholders' equity of the Company falls below NIS 250 million in two consecutive quarters.
- If the ratio of shareholders' equity (including minority rights) to the total balance sheet falls below 15% in two consecutive quarters.
- If the rating of the debentures falls below Baa3 or an equivalent rating.
- If the debentures cease being rated for a period of at least 60 business days, as a result of circumstances that are dependent solely upon the Company.
- If the Company executed a distribution that does not comply with the abovementioned obligations of the Company in connection with the restriction regarding the distribution of a dividend.
- If one of the following is presented for immediate repayment: (1) another or other series of debentures issued by the Company; (2) one or more financial debts of the Company (except for a non-recourse debt of the Company), the unamortized balance (or aggregate balances) of which as of the date of the demand for immediate repayment exceeds the lower of NIS 170 million or an amount that constitutes 12.5% of the balance sheet of the Company as presented in its consolidated financial statements, on condition that the lender of the aforementioned debt (including holders of debentures) did not cancel its demand for immediate repayment within 30 days following the date on which the debt was presented for immediate repayment.
- If the control over the Company was transferred and such transfer was not approved by the meeting of the holders of the debentures by a simple majority.
- If the Company records a "going concern warning" on its financial statements for a period of two consecutive quarters.
- If a change is made in the major operations of the Company.

As of the date of approval of the financial statements, the Company is in compliance with all of the terms of the trust deed.

Notes to the Consolidated Financial Statements

Note 16 – Employee benefits

Employee benefits including post-employment benefits and other long-term benefits. Short-term benefits are presented as part of "Other payables".

Regarding post-employment benefits, the Group has defined benefit plans in respect of which it deposits amounts in central severance pay funds. Defined benefit plans entitle qualified employees to a one-time payment based on their employment agreements. In addition, the Company has a defined deposit plan in respect of some of its employees who are subject to article 14 of the Severance Pay Law – 1963.

	December 31,	
	2023	2022
	NIS'000	NIS'000
Present value of the obligations	12,034	16,141
Fair value of plan assets*	(6,045)	(6,798)
	<u>5,989</u>	<u>9,343</u>

* Plan assets consist of equity instruments in central severance pay funds.

(1) Changes in present value of liability in respect of defined benefit plans

	Year ended December 31,	
	2023	2022
	NIS'000	NIS'000
Obligation in respect of defined benefit plan as of beginning of period	16,141	20,782
Reclassified to short-term	(4,020)	(2,808)
Benefits paid and disposed	(983)	(903)
Current service costs and interest costs	2,176	2,169
Actuarial gains carried to other comprehensive income	(1,280)	(3,099)
Obligation in respect of defined benefit plan as of end of period	<u>12,034</u>	<u>16,141</u>

(2) Changes in plan assets

	Year ended December 31,	
	2023	2022
	NIS'000	NIS'000
Fair value of plan assets as of beginning of period	6,798	7,999
Benefits paid and disposed	(1,120)	(677)
Interest income	364	437
Actuarial gains (losses) carried to other comprehensive income	3	(961)
Fair value of plan assets as of end of period	<u>6,045</u>	<u>6,798</u>

(3) Expense carried to profit and loss

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Current service costs	1,585	1,437	6,491
Interest costs	591	732	403
Interest income	(364)	(437)	(277)
	<u>1,812</u>	<u>1,732</u>	<u>6,617</u>

Notes to the Consolidated Financial Statements

Note 16 – Employee benefits (cont'd)

(4) Actuarial gains and losses carried directly to other comprehensive income

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Accumulated balance, beginning of period	6,369	4,231	4,417
Amounts recognized during period	1,283	2,138	(186)
Accumulated balance, end of period	7,652	6,369	4,231

(5) Actuarial assumptions and sensitivity analysis

Principal actuarial assumptions as of the reporting date (weighted average):

	2023	2022	2021
	%	%	%
Discount rate, end of period	6.0	5.7	3.8
Future increase in salaries	5.2	5.3	4.6

The assumptions regarding future mortality rate are based on published statistical data and on accepted mortality tables.

Reasonable possible changes in one of the actuarial assumptions as at the reporting date, assuming that the rest of the assumptions remain unchanged, have the following impact on the liability in respect of the defined benefit:

	December 31, 2023		December 31, 2022	
	Increase (decrease) of liability		Increase (decrease) of liability	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
	NIS'000	NIS'000	NIS'000	NIS'000
Rate of future increase in salaries	1,107	(957)	1,266	(1,077)
Discount rate	(943)	1,109	(1,092)	1,300

(6) Impact of the plan on the Group's future cash flows

The Group's estimate of the life-span of the plan (based on weighted average) as at the end of the reporting period is 9.4 years (for 2022 – 9.75 years).

(7) The Group has defined deposit plans in respect of some of its employees, under the scope of article 14 of the Severance Pay Law – 1963.

	Year ended December 31		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Amount recognized as an expense in respect of a defined deposit plan	12,130	10,533	9,449

Notes to the Consolidated Financial Statements

Note 17 – Equity

A. Share capital

	December 31, 2023 and 2022
	NIS
Issued and paid in share capital	1,000
Authorized capital	100,000

B. Dividends

The following dividends were declared and paid by the Company:

Year ended December 31,		
2023	2022	2021
NIS'000	NIS'000	NIS'000
55,000	62,900	35,000

Note 18 – Revenues from sales, net

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
From Company production:			
Sales, net	1,063,206	1,100,247	978,706
Less excise tax	119,725	189,110	90,058
	943,481	911,137	888,648
From purchased goods:			
Sales, net	1,043,701	890,641	809,896
Distribution services	6,819	11,443	-
Total sales	1,994,001	1,813,221	1,698,544

Note 19 – Cost of sales

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Use of materials	396,156	355,195	334,148
Payroll and related expenses	73,469	62,381	61,262
Depreciation	68,582	64,881	61,655
Other manufacturing expenses	67,083	60,876	55,158
	605,290	543,333	512,223
Purchases of purchased goods	770,302	656,934	587,684
	1,375,592	1,200,267	1,099,907

Notes to the Consolidated Financial Statements

Note 20 – Selling and marketing expenses

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Payroll and related expenses	201,844	178,870	164,261
Advertising	58,095	56,971	58,180
Depreciation and amortization	55,873	50,854	54,111
Rent and building maintenance	13,254	11,044	11,388
Truck and forklift maintenance	25,513	21,412	17,266
Distribution commissions	12,892	11,973	11,566
Shipping	8,207	6,725	7,157
Other expenses	17,962	23,143	24,847
	393,640	360,992	348,776

Note 21 – Other expenses and income

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Income			
Revaluation of investment to fair value (see Note 8C. and L.)	29,300	2,000	4,278
Refund from insurance company	-	3,300	-
Gain on realization of fixed assets, net	320	-	233
Others	4,233	1,507	1,946
	33,853	6,807	6,457
Expenses			
Settlement of exposure in respect of possible lawsuit (See Note 8C.)	17,500	-	-
Revaluation of investment	1,000	-	-
Losses on realization of fixed assets, net	-	3,757	-
Others	-	8	-
	18,500	3,765	-

Notes to the Consolidated Financial Statements

Note 22 – General and administrative expenses

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Payroll and related expenses	55,904	48,310	42,991
Management fees	7,970	11,968	12,066
Depreciation and amortization	9,549	7,509	7,178
Other expenses	30,285	24,552	21,016
	103,708	92,339	83,251
Participation of parent company in general and administrative expenses	(200)	(200)	(200)
	103,508	92,139	83,051

Note 23 – Financing expenses, net

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Income			
Changes in fair value of financial derivatives	-	3,726	-
Revenues from investee companies	1,211	414	-
Exchange rate differences	-	-	5,176
Others	704	463	942
	1,915	4,603	6,118
Expenses			
Interest on debentures	3,524	4,436	5,348
Interest to banks	22,424	6,254	4,221
Exchange rate differences	8,983	2,813	-
Changes in fair value of financial derivatives	4,911	-	3,254
Interest expense in respect of leasing liabilities	4,569	3,686	3,675
Others	220	542	360
	44,631	17,731	16,858
Total financing expenses, net	(42,716)	(13,128)	(10,740)

Notes to the Consolidated Financial Statements

Note 24 - Income Tax

A. Details regarding the tax environment of the Group

(1) Corporate tax rate

The tax rate applicable to the Company in the years 2021 – 2023 is 23%.

The current taxes for the reported periods are calculated on the basis of the tax rates presented above.

(2) Industrial company

The Company qualifies as an “Industrial Company” as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly it is entitled, among other things, to increased depreciation expenses in respect of equipment used for its industrial activity.

(3) Excise tax

Alcoholic beverages that are either imported or manufactured in Israel, as well as certain raw materials, are subject to excise tax pursuant to the Excise Tax Law (Goods and Services) – 1952. There are periodic changes in the rates of this tax, with the resultant positive or negative impact on the business results of the Group.

a. Excise tax on beer products

Excise tax on imported and local beer products is a fixed amount per sold liter, calculated each year on the basis of the change in the Consumer Price Index. The excise tax on beer in 2023 is NIS 2.53 per liter (in 2022 is NIS 2.40, in 2021 – NIS 2.34 per liter).

b. Excise tax on alcoholic beverages

The excise tax applicable to alcoholic beverages is a fixed amount per liter of alcohol sold or imported and it varies from year to year, depending upon the change in the Consumer Price Index. The excise tax in 2023 was NIS 91.63 per liter of alcohol (in 2022 was NIS 87.04, in 2021 – NIS 85.00 per liter of alcohol).

c. Excise tax on sweet drinks

On October 20, 2021, the Customs Tariff Order and the Exemptions from Excise Tax on Goods (Amendment No. 4) – 2021 was publicized in the Official Gazette imposing, commencing from January 1, 2022, an excise tax on sweet drinks bottles, fruit juice containers, concentrates and powders for the preparation of sweet drinks. On sweet drinks containing a sugar ratio higher than or equal to 5 grams per 100 milliliter, the tax was set at NIS 1.02 per liter of drink. On sweet drinks containing a sugar ratio less than 5 grams per 100 milliliter, sweet drinks containing another sweetener as well as fruit juices, the tax was set at NIS 0.72 per liter of drink.

On March 30, 2023 and December 31, 2023, special orders were issued whereby the order would not become effective until December 31, 2024.

Notes to the Consolidated Financial Statements

Note 24 - Income Tax (cont'd)

B. Composition of income tax expense

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Current taxes	13,845	26,873	33,421
Deferred taxes	2,111	8,823	6,119
Taxes on income	15,956	35,696	39,540

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense:

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
Income before taxes on income	86,739	148,893	165,387
Primary tax rate of the Company	23%	23%	23%
Tax calculated according to the Company's primary tax rate	19,950	34,245	38,039
Additional tax (tax saving) in respect of:			
Neutralization of calculated tax in respect of the share of the Company in the losses (profits) of equity-accounted investee companies	1,647	194	(658)
Non-deductible expenses	1,202	1,190	1,378
Losses in respect of which deferred taxes were not recorded	349	-	462
Taxes in respect of prior years	(6,796)	-	-
Others	(396)	67	319
Taxes on income	15,956	35,696	39,540

Notes to the Consolidated Financial Statements

Note 24 - Income Tax (cont'd)

D. Deferred tax assets and liabilities

(1) Recognized deferred tax assets and liabilities

The deferred taxes were calculated on the basis of the tax rates expected to apply on the date of reversal, as detailed above.

Deferred tax assets and liabilities attributed to the following items:

	Fixed assets	Employee benefits	Provision for expected credit losses	Others	Total
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Deferred tax asset (liability) as of December 31, 2021	(42,148)	6,826	6,546	3,462	(25,314)
Changes carried to profit and loss	(7,297)	128	(1,779)	125	(8,823)
Changes against other comprehensive income	-	(492)	-	-	(492)
Deferred tax asset (liability) as of December 31, 2022	(49,445)	6,462	4,767	3,587	(34,629)
Changes carried to profit and loss	(7,326)	(1,302)	(299)	6,816	(2,111)
Addition as part of business combinations	-	-	-	(19,017)	(19,017)
Changes against other comprehensive income	-	(294)	-	-	(294)
Deferred tax asset (liability) as of December 31, 2023	(56,771)	4,866	4,468	(8,614)	(56,051)

(2) Tax losses and deductions carried forward to future years

The Company has tax loss carryforwards in an amount of NIS 18 million, and some of the consolidated companies have tax loss carryforwards in an amount of NIS 32 million. In respect of these losses, in an amount of NIS 2 million, no deferred taxes were recorded.

The Company has a real difference from marketable securities that are not deductible and can be carried forward to future years in an adjusted amount of NIS 1,200 thousand. The losses will be deductible in future years only against income from marketable securities, if any exists in those years. In respect of the difference in real terms, no deferred taxes were recognized.

E. Tax assessments

Some of the Group companies were issued final tax assessments up to and including the 2018 tax year. In respect of the rest of the Group companies, tax assessments were deemed to be final up to and including the 2017 tax year.

Notes to the Consolidated Financial Statements

Note 25 – Financial risk management**A. General**

The Group is exposed to the following risks, deriving from use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk and interest risk)

This note provides information pertaining to the exposure of the Group to each of the aforementioned risks, the objectives of the Group, and the policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is presented throughout these consolidated financial statements.

B. Credit risk

Trade and other accounts receivable

The exposure of the Group to credit risks is influenced primarily by the personal characteristics of each customer. Company Management set down a credit policy whereby each new customer undergoes a detailed examination regarding the quality of its credit before the Company offers the customer the Group's normal credit and shipping terms. The investigation performed by the Group includes third-party credit ratings. The Group sets purchase limits for each customer, reflecting the customer's maximum credit limit. Customers who do not meet the Group's criteria regarding credit quality can still purchase from the Group if they pay cash up front.

C. Liquidity risk

The approach of the Group in managing its liquidity risk is to ensure, to the extent possible, that it has enough liquid resources to meet its liabilities on time, in both normal times and in times of pressure, without incurring undesirable losses or damage to its reputation.

D. Market risks

Currency risk

The Group is exposed to currency risk in respect of purchases, raw materials and purchased goods, and loans denominated in various currencies of the functional currencies of the Group companies, primarily the dollar and the euro.

Interest risk

The Company has shekel loans that are linked to the Prime Rate. The Company does not hedge against the possibility of changes in interest rates and operates on the basis of market conditions to reduce the exposure and reduce its finance costs.

Notes to the Consolidated Financial Statements

Note 26 – Financial instruments

A. Credit risk

The following table presents aging of customer debts:

	December 31, 2023		December 31, 2022	
	Gross NIS'000	Impairment NIS'000	Gross NIS'000	Impairment NIS'000
Not in arrears	367,140	4,486	346,979	5,270
Arrears of 0 – 30 days	22,728	172	18,729	177
Arrears of 31 – 120 days	14,496	71	8,875	29
Arrears of more than 120 days	31,724	19,419	25,704	19,140
	436,088	24,148	400,287	24,616

Part of the credit to customers is insured with credit insurance and with various other collateral.

B. Liquidity risks

The following table presents the contractual maturity dates of the financial liabilities, including estimated interest payments.

	December 31, 2023						
	Carrying Value	Contractual Cash flow	Up to 6 months	6-12 months	1-2 years	2-4 years	More than 4 years
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Non-derivative financial liabilities							
Short-term overdrafts and loans from banks	471,754	485,924	479,423	6,501	-	-	-
Suppliers	286,483	286,483	286,483	-	-	-	-
Current maturities of debentures	42,270	44,299	23,585	20,714	-	-	-
Other payables	126,325	126,325	126,325	-	-	-	-
Long-term bank loans	15,743	16,035	-	-	12,889	3,146	-
Debentures	110,439	115,510	-	-	23,800	46,547	45,163
Other long-term liabilities	12,090	12,450	-	-	9,980	280	2,190
Total	1,065,104	1,087,026	915,816	27,215	46,669	49,973	47,353
	December 31, 2022						
	Carrying Value	Contractual Cash flow	Up to 6 months	6-12 months	1-2 years	2-4 years	More than 4 years
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Non-derivative financial liabilities							
Short-term overdrafts and loans from banks	124,592	127,940	120,651	7,289	-	-	-
Suppliers	297,039	297,039	297,039	-	-	-	-
Current maturities of debentures	62,814	65,735	44,534	21,201	-	-	-
Other payables	125,639	125,639	125,639	-	-	-	-
Long-term bank loans	28,126	28,989	-	-	13,075	15,914	-
Debentures	152,106	159,808	-	-	44,299	47,249	68,260
Other long-term liabilities	2,629	2,629	-	-	140	280	2,209
Total	792,945	807,779	587,863	28,490	57,514	63,443	70,469

Notes to the Consolidated Financial Statements

Note 26 – Financial instruments (cont'd)

C. CPI and foreign currency risks

1. Exposure to CPI and foreign currency risk

The following table presents CPI and foreign currency risk, based on denominated values:

	December 31, 2023				
	NIS		Foreign Currency		
	Unlinked	Linked to	Dollar	Euro	Total
	NIS'000	the CPI	NIS'000	NIS'000	NIS'000
Financial assets and financial liabilities					
Current assets;					
Cash and cash equivalents	23,757	-	5,441	5,512	34,710
Trade accounts receivable	361,175	-	10,181	40,584	411,940
Other receivables	20,573	230	12,845	12,264	45,912
Derivative instruments	-	-	-	420	420
Non-current assets:					
Long-term loans and receivables	16,810	7,023	-	-	23,833
	422,315	7,253	28,467	58,780	516,815
Current liabilities:					
Overdrafts and short-term loans from banking institutions	471,726	-	-	28	471,754
Trade accounts payable	164,185	-	38,036	84,262	286,483
Other payables	108,710	13,188	-	4,427	126,325
Derivative instruments	-	-	5,954	-	5,954
Current maturities of debentures	42,270	-	-	-	42,270
Current maturities of leasing liabilities	620	33,378	560	818	35,376
Non-current liabilities					
Liabilities to banking institutions	15,743	-	-	-	15,743
Debentures	110,439	-	-	-	110,439
Liabilities in respect of leasing	11,523	90,904	9,092	1,035	112,554
Other long-term liabilities	9,480	2,610	-	-	12,090
	934,696	140,080	53,642	90,570	1,218,988
Total risk, net	(512,381)	(132,827)	(25,175)	(31,790)	(702,173)

Notes to the Consolidated Financial Statements

Note 26 – Financial instruments (cont'd)

C. CPI and foreign currency risks (cont'd)

1. Exposure to CPI and foreign currency risk (cont'd)

	December 31, 2022				
	NIS		Foreign Currency		
	Unlinked	Linked to	Dollar	Euro	Total
	NIS'000	the CPI	NIS'000	NIS'000	NIS'000
Financial assets and financial liabilities					
Current assets:					
Cash and cash equivalents	7,090	-	5,517	6,735	19,342
Trade accounts receivable	331,260	-	14,065	30,346	375,671
Other receivables	31,721	230	10,529	9,940	52,420
Derivative instruments	-	-	394	-	394
Non-current assets:					
Long-term loans and receivables	23,820	4,315	-	117	28,252
	<u>393,891</u>	<u>4,545</u>	<u>30,505</u>	<u>47,138</u>	<u>476,079</u>
Current liabilities:					
Overdrafts and short-term loans from banking institutions	124,241	-	-	351	124,592
Trade accounts payable	163,929	-	37,246	95,864	297,039
Other payables	94,492	27,558	-	3,589	125,639
Current maturities of debentures	62,814	-	-	-	62,814
Current maturities of leasing liabilities	655	30,821	574	769	32,819
Non-current liabilities					
Liabilities to banking institutions	28,126	-	-	-	28,126
Debentures	152,106	-	-	-	152,106
Liabilities in respect of leasing	11,315	72,034	9,750	1,156	94,255
Other long-term liabilities	-	2,629	-	-	2,629
	<u>637,678</u>	<u>133,042</u>	<u>47,570</u>	<u>101,729</u>	<u>920,019</u>
Total risk, net	<u>(243,787)</u>	<u>(128,497)</u>	<u>(17,065)</u>	<u>(54,591)</u>	<u>(443,940)</u>

2. Derivatives:

The fair value of the forward contracts is based on their listed market prices when available. In the absence of such market prices, the fair value was estimated on the basis of the discounting of the difference between the forward price denominated in the contract and the current forward price in respect of the balance of the period of the contract to maturity, using an appropriate interest rate.

The following is a breakdown of the exposure of the Company to foreign currency risks in respect of derivative financial instruments:

As of December 31, 2023:

- The Company has forward contracts for the purchase of \$43.9 million for an amount of NIS 164.4 million, for the period until December 2024.

The Company has forward contracts for the purchase of €19.2 million for an amount of NIS 76.6 million, for the period until December 2024.

Notes to the Consolidated Financial Statements

Note 26 – Financial instruments (cont'd)

C. CPI and foreign currency risks (cont'd)**2. Derivatives (cont'd):**

As of December 31, 2022:

- The Company has forward contracts for the purchase of \$3 million for an amount of NIS 10 million, for the period until December 2023.

3. Sensitivity analysis

The weakening of the shekel against the following currencies and the increase in the Consumer Price Index would have increased (decreased) shareholders' equity and the profit and loss by the following amounts (without the tax effect). This analysis was performed under the assumption that all other variables, especially interest rates, remained constant:

	Year ended December 31,	
	2023	2022
	Equity / gain (loss)	Equity / gain (loss)
	NIS'000	NIS'000
Increase in CPI of 1.5%	(128)	(385)
Increase in exchange rate of:		
US dollar of 5%	6,833	(780)
Euro of 5%	2,201	(2,730)

The strengthening of the shekel by similar percentages against the aforementioned currencies, together with the decrease in the Israel Consumer Price Index by a similar percentage as of December 31, 2023 and 2022 had a narrowing impact, albeit in an opposite direction, under the assumption that all of the other variables remained constant.

For additional information regarding the fair value hierarchy, see Note 2D.

D. Interest rate risk**1. The following is a breakdown of the types of interest of financial liabilities:**

	December 31,	
	2023	2022
	NIS'000	NIS'000
Financial liabilities at fixed interest	181,205	259,262
Financial liabilities at variable interest	459,001	108,376

Notes to the Consolidated Financial Statements

Note 26 – Financial instruments (cont'd)

D. Interest rate risk (cont'd)**2. Sensitivity analysis of the fair value of instruments at fixed interest**

The Group's assets and liabilities at fixed interest are not measured at fair value through profit and loss. Therefore, a change in interest rates as of the balance sheet date is not expected to have any impact on profit and loss in respect of changes in the value of the assets and liabilities at fixed interest.

3. Cash flow sensitivity analysis regarding instruments at variable interest rates

A change of 1 percentage point in interest rates at the reporting date would increase or decrease the shareholders' equity and profit and loss by the following amounts (with the tax effect). This analysis was done under the assumption that the rest of the variables, especially foreign currency exchange rates, remained constant.

	December 31, 2023	December 31, 2022
	Equity/Loss	Equity/Loss
	Increase in interest	Increase in interest
	NIS'000	NIS'000
Instruments at variable interest rates	(4,590)	(1,084)

A decrease in interest of a similar rate as at December 31, 2023 and 2022 had an identical impact, although in opposing directions, under the assumption that all of the other variables remained constant.

E. Fair value**Financial instruments measured at fair value for disclosure purposes only**

The carrying value of certain financial assets and liabilities, including cash and cash equivalents, trade accounts receivable, other receivables, bank overdrafts, short-term loans and credit, trade accounts payable and other accounts payable agree with or approximate their fair value.

The fair value of the rest of the financial assets and liabilities and the carrying value as presented in the financial statements are as follows:

	Fair Value Level	December 31, 2023		December 31, 2022	
		Carrying value	Fair value	Carrying value	Fair value
		NIS'000	NIS'000	NIS'000	NIS'000
Non-current liabilities:					
Debentures	*1	152,709	143,810	214,920	201,844
Long-term bank loan	**3	28,496	27,532	44,342	42,532
Long-term loans from others	3	2,750	1,880	2,769	1,995

(*) Fair value of debentures is based on their stock market price.

(**) The interest rates used to discount the forecasted cash flow estimate based on the government yield curve, as at the reporting date, plus an appropriate fixed credit margin. The interest rates used to discount as of December 31, 2023 – 5.57%-5.73% (2022 – 5.28%-5.91%).

Notes to the Consolidated Financial Statements

Note 27 - Commitments

A. Agreement with PepsiCo Inc. and with Seven Up International (hereinafter jointly – "PepsiCo")

On April 13, 2015, the Company renewed its agreements with Pepsico, whereby the Company was granted a franchise for the sole manufacture, market, sale and distribution in Israel of Pepsico's beverages, including Pepsi Cola, Pepsi Max, Miranda, Seven Up and Diet Seven Up (hereinafter – the "Agreement").

The agreement was valid for five years, commencing on January 1, 2015 and it was to be automatically extended for additional periods of five years each, subject to the right of either of the parties to terminate the agreement upon the period of advanced notification, as set out in the agreement.

On January 1, 2021, the agreement was renewed for a period of five additional years.

B. Agreement with Tradall S.A.

On April 14, 2019, the Company signed an addendum to the agreement with Tradall S.A., whereby the Company will continue to distribute Bacardi Breezer alcohol products, until March 31, 2022. In addition, the parties undertook to invest a minimum amount in marketing and promotion of products, minimum sales targets were set, and the purchase price was set by the Company.

This agreement was extended automatically for two additional one-year periods, unless either of the parties elects not extend either of the extended periods, pursuant to a mechanism set out in the agreement.

On November 15, 2023, an additional addendum to the Company's agreement with Tradall S.A. whereby the agreement would be extended until March 31, 2025.

C. Agreement with Aqua Minerale San Benedetto S.P.A.

The Company signed an agreement with Aqua Minerale San Benedetto S.P.A. (hereinafter – San Benedetto) whereby the Company will exclusively distribute in Israel and in the Palestinian Authority the mineral water manufactured by San Benedetto. In accordance with the provisions of the agreement the Company is not allowed to distribute mineral water of competitors of San Benedetto, but it is allowed to distribute mineral water manufactured in Israel subject to the conditions specified in the agreement.

The agreement is in effect from May 1, 2000 and will continue to be in effect until one of the parties cancels it upon advance notice of one year.

D. Agreement with Pernod Ricard Europe S.A.

On July 7, 2010, the Company entered into an agreement with Pernod Ricard Europe S.A. (hereinafter – the "agreement" and "Pernod" respectively) which was amended on July 5, 2012, regarding the exclusive marketing, sale and distribution in Israel of the alcoholic beverages manufactured and distributed by companies of the Pernod Group (hereinafter – the "Products"), including the "Absolut" vodka brand, and the whiskey brands "Jameson", "Chivas" and "Ballentines".

On March 27, 2018, the engagement between the parties was renewed, at terms that are similar to those in the agreement, for an additional period of seven years.

Notes to the Consolidated Financial Statements

Note 27 - Commitments (cont'd)

E. Agreement with XL Energy Corp.

On September 2, 2009, the Company entered into an agreement with XL Energy Corp. (hereinafter – “XL”) whereby the Company was granted the exclusive rights of manufacturing, marketing, selling, and distribution of XL products in Israel. The agreement period is 10 years, commencing on January 1, 2010 and it is automatically renewable for five additional years.

Pursuant to the provisions of the distribution agreement, the Company and XL divide the profit, as defined in the agreement, of the operations of the Company in connection with the XL brand name products.

On January 26, 2017, the engagement was extended for an additional 10 years, commencing from 2021. In addition, the territorial coverage of the agreement was broadened to include Cyprus as well.

F. Mei Eden

On September 21, 2022, the Company entered into an agreement with Mei Eden Ltd. (hereinafter: "Mei Eden") pursuant to which the Company will provide Mei Eden, in return for a distribution fee, sales and distribution services, on a non-exclusive basis, in respect of the water products of Mei Eden in bottles in the territories of the State of Israel and the Palestinian Authority (hereinafter - the "Agreement"). The period of the agreement is 6 years, beginning 18 months following the date on which Mei Eden gives notice to the current distributor of the products of the termination of their contract (hereinafter: - the "First Engagement Period"). At the end of the first engagement period, the engagement will be automatically extended for an additional period of 6 years, subject to the terms specified in the agreement. Notwithstanding the foregoing, at any time, each party has the right to give notice regarding the early termination of the Agreement, upon 18 months notice.

In addition, the agreement sets out mutual compensation clauses for failure to meet minimum objectives, insofar as such failure is not due solely to an act of commission and/or omission of the party entitled to such compensation.

Subsequent to the date of the statement of financial position, commencing from January 1, 2024, the Company has begun to gradually distribute the products of Mei Eden.

G. Agreement to purchase grapes

Barkan Wineries undertook to purchase grapes from vine growers each harvest year, in accordance with the terms set out in various agreements. including the following:

- Vineyards as part of Joint Activities with vine growers – Under transactions of this kind, Barkan Wineries undertakes the costs of purchasing the inputs to set up the vineyard and the grower undertakes the growing expenses until the first harvest (usually 3 – 4 years after the planting of the vineyard). Subsequently, the expenses of the vineyard are split equally between the Barkan Wineries and the grower (except for extraordinary expenses). The grape yield under these agreements between Barkan Wineries and the growers is divided equally. According to the provisions of such agreements, Barkan Wineries purchases the entire share of the grower in the grape yield. In addition, these agreements contain provisions regarding the manner in which the yield is to be planted and in which the fruit of the harvest are to be purchased.
- Agreements to work the vineyards – Under these agreements, Barkan Wineries renders to the right holders of the vineyards farming services and covers all of the expenses involved in working of the vineyard, in return for the entire yield of the vineyard.

H. Deposit on Beverage Bottles

According to the Beverage Bottle Deposit Law - (1999) (hereinafter - the deposit law), a deposit in the amount of NIS 0.30 must be made on every sale of a beverage bottle. The deposit will be returned along with the return of the beverage bottle to the sale point, the manufacturer or the importer.

Notes to the Consolidated Financial Statements

Note 27 - Commitments (cont'd)

H. Deposit on Beverage Bottles (cont'd)

Until December 1, 2021, the provisions of the law applied regarding the requirement to mark and collect the deposit on beverage bottles of between 0.1 liters and 1.5 liters (exclusive). Commencing from that date, the provisions of the deposit law were expanded to beverage bottles of between 1.5 liters and 5 liters.

During 2022, ELA, Beverage Bottles Collection Company Ltd., which had carried out on behalf of the Company the operations of collecting and recycling beverage bottles, notified the Company of the termination of its operations as of January 1, 2023. The Company entered into contracts with two entities, to receive services for the collection of empty beverage bottles from businesses in accordance with the provisions of the Deposit Law, transferring them to a recycling facility, and refunding of the deposit amounts in respect of the Company's bottles to the extent required by the Deposit Law.

I. The Packaging Law

On March 1, 2011, the Law for the Handling of Packaging – 2011 went into effect (hereinafter – the “Packaging Law”). The objective of the Packaging Law is to regulate the manufacturing of packaging and the handling of packaging waste, so as to reduce the quantity of packaging waste, to avoid the need for burying the waste and to encourage recycling of packaging. The Packaging Law requires the manufacturers and importers of products sold in different forms of packaging to recycle the packaging waste of their products, at rates set out in the Packaging Law and the law also sets out penalties for failure to comply with the aforementioned recycling targets. In addition, the Packaging Law sets up mechanisms for carrying out the recycling through special entities to be set up for that purpose and which will be responsible for the financing of all of the costs needed for the handling of the packaging waste that was collected within the boundaries of the local authorities with which each entity entered into an agreement. On December 1, 2011, T.M.I.R. – the Israeli Manufacturers Recycling Corporation Ltd., the company founded by the Israeli Manufacturers Association was recognized as a “recognized entity” regarding the Packaging Law (hereinafter – “T.M.I.R”). As part of the founders agreement that was signed between T.M.I.R and the manufacturers and importers of packaging, including the Company, the Company was allotted a share that grants it 5.1% of the voting rights in the general meeting of T.M.I.R. In addition, as part of the agreement to render services between T.M.I.R. and the Company, the objective of which is the implementation of the provisions of the Packaging Law, it was stipulated that in return for the handling fee to be paid to T.M.I.R. by the Company, T.M.I.R. will render the services to the Company and will meet all of the obligations as set out in the Packaging Law, in order to meet the recycling targets set out in the Packaging Law.

J. Agreements with interested party companies

Regarding commitments with interested party companies, see Note 29.

Notes to the Consolidated Financial Statements

Note 28 - Contingent Liabilities, Guarantees and Pledges

A. Contingent liabilities

1. In addition to the items set out below, suits and debt demands have been filed against the Company for a total amount of NIS 8,600 thousand. In the opinion of Company Management, based on its legal counsel, the Company will not incur any expenses in respect of the results of the suits beyond the provision that is included in the financial statements.
2. On August 16, 2018, a suit was filed together with a motion to recognize the suit as a class action. The Plaintiffs claimed that they consumed hot drinks from coffee machines that were imported and/or marketed by the Group, whereby according to them, the machines put into the hot drink cups quantities of lead that deviated from the quantities allowed under Israeli law and standards.

It was demanded of the Group by the Plaintiffs, *inter alia*, that it grant compensation of NIS 540,000 thousand to all of the members of the Group. As part of a compromise agreement between the parties, it was agreed that in return for the removal of the Plaintiffs from the lawsuit, the Group would donate products of immaterial amounts. Subsequent to the date of the statement of financial position, on March 4, 2024, the compromise was approved by the court and it was awarded the status of a court ruling.

B. Guarantees

For information pertaining to the guarantee to secure the liabilities of investee companies to banks, see Note 8.

C. Pledges

The Group has made the following pledges:

- (1) Fixed and current pledges in favor of banks, unlimited in amount – on the assets of the Company, including goodwill and on the share capital not yet demanded or paid in.
- (2) As of the reporting date, the amounts secured by pledges to banking institutions in respect of credit granted by them, including guarantees and letters of credit amounted to NIS 465 million.

Note 29 – Related and interested parties

A. Benefits to interested parties

	Year ended December 31,					
	2023		2022		2021	
	No. of people	Amount NIS'000	No. of people	Amount NIS'000	No. of people	Amount NIS'00
Benefits to interested parties employed by the Company	3	9,324	3	14,206	2	11,705
Benefits to directors not employed by the Company	3	525	3	497	5	512

B. Balances with interested parties and related parties

	December 31,	
	2023	2022
	NIS'000	NIS'000
Trade accounts receivable	-	2,903
Suppliers	15,352	43,920
Other payables	4,653	9,296

Notes to the Consolidated Financial Statements

Note 29 – Related and interested parties (cont'd)

C. Remuneration of key management executives

	Year ended December 31,					
	2023		2022		2021	
	NIS'000		NIS'000		NIS'000	
	No. of people	Amount	No. of people	Amount	No. of people	Amount
Payroll and related expenses	11	12,126	11	15,518	13	18,387

D. Transactions with related and interested parties – all transactions are at market terms

	Year ended December 31,		
	2023	2022	2021
	NIS'000	NIS'000	NIS'000
	Transaction amounts		
Revenues from distribution services	6,819	11,443	-
Purchases of purchased products	127,122	152,801	149,325
Production services	4,167	5,808	7,548
Other purchases	399	237	204
Other manufacturing expenses	7,691	7,518	6,073
Rent expenses	2,861	2,714	2,616
Participation of the parent company in general and administrative expenses	200	200	200
Sale of raw materials	-	92	92
Participation of investee companies in expenses	1,898	3,055	2,885
Financing income (expenses), net	1,154	372	1

E. Employment agreements with the chairman of the board, the CEO of the Company and the deputy chairman of the board

- (1) On November 20, 2011, the general meeting of Tempo Industries ratified the renewal of the Company's management agreements with Messrs. Jacques Beer and Amir Bornstien (hereinafter – the "Management Services Agreement with Jacques Beer" and the "Management Services Agreement with Amir Bornstien", respectively).

The following is a summary of the principal terms of the Management Services Agreement with Jacques Beer:

Mr. Jacques Beer renders management services to the Company as its active chairman of the board of directors.

The monthly remuneration in respect of the management services was set at \$25,000, translated into shekels on January 1, 1997 and linked to the Consumer Price Index at that date. In addition, Mr. Beer is entitled to a company car, a cellular phone and a phone line at his home. Mr. Beer is also entitled to an annual bonus.

Notes to the Consolidated Financial Statements

Note 29 – Related and interested parties (cont'd)

E. Employment agreements with the chairman of the board and an interested party in the Company (cont'd)

(1) (cont'd)

On January 14, 2014, the general meeting of the shareholders of the Company approved a change in a component of the grant of the Chairman of the Board and CEO of the Company, further to the approval of the board of directors and the remunerations committee and pursuant to the Company's remuneration policy, whereby the Chairman of the Board and CEO will be entitled to an annual bonus to be paid at the end of each calendar year during the agreement period, at a rate of 4.2% of the Company's pre-tax profit (for this purpose, "pre-tax profit" for purposes of the calculated grant shall be calculated as the pre-tax profit appearing in the Company's consolidated financial statements, less a return on the shareholders' equity of the Company as at the beginning of each year during the course of the remunerations program (at a rate of 8%) and neutralizing non-recurring or accounting events that increase the profit of the Company, not as a result of the increase in operations in "real terms", subject to the fact that in the year or years prior to the year of payment the Company did not record in its financial statements pre-tax losses (hereinafter – "Losses of Prior Years") to the extent that losses were recorded in prior years, such losses shall be offset against the aforementioned pre-tax profit – in whole or in part, as applicable, for purposes of calculating the bonus.

The total annual bonus to the Chairman of the Board and the CEO shall not exceed 3% of the Company's pre-tax profit (based on the financial statements of the Company).

In addition, under no circumstances, shall the total bonus of the Chairman of the Board and the CEO exceed an amount equal to 36 payments of monthly management fees.

On January 14, 2020, the compensation which Mr. Beer is entitled to receive was re-approved, without any changes in the conditions.

On March 31, 2022, the general meeting, further to the approval of the remunerations committee and the Board of Directors of the Company, approved the updating of the annual calculated bonus, whereby the bonus will be 3% of the pre-tax income, but in any event, it will not exceed the amount equal to 36 payments of the monthly management fee. With regard to this matter, the term "pre-tax income" refers to the amount of the pre-tax income appearing in the annual consolidated financial statements of the Company in respect of the relevant year, prior to the payment of the annual bonuses, neutralizing one-off events and/or or non-recurring income.

The following is a summary of the principal terms of the Management Services Agreement with Amir Bornstien:

Mr. Amir Bornstien serves as a director of Tempo holdings, a director of the Company and a member of its management team, and as the active chairman of the board of directors of Barkan Wineries.

The monthly remuneration in respect of the services Mr. Bornstien renders was set at \$20,000, translated into shekels on February 1, 1999 and linked to the Consumer Price Index at that date. In addition, Mr. Bornstien is entitled to a company car, a cellular phone and a phone line at his home.

On January 14, 2014, the general meeting of the shareholders of the Company approved the appointment of Mr. Amir Bornstien as the deputy chairman of the board of directors, and a change in the terms of his employment, to include a bonus component, further to the approvals of the board and the remunerations committee and pursuant to the Company's remunerations policy.

Notes to the Consolidated Financial Statements

Note 29 – Related and interested parties (cont'd)

E. Employment agreements with the chairman of the board and an interested party in the Company (cont'd)

(1) (cont'd)

The deputy chairman of the board will be entitled to an annual bonus to be paid at the end of each calendar year during the agreement period, at a rate of 2.8% of the Company's pre-tax profit (for this purpose, "pre-tax profit" for purposes of the calculated grant shall be calculated as the pre-tax profit appearing in the Company's consolidated financial statements, less a return on the shareholders' equity of the Company as at the beginning of each year during the course of the remunerations program (at a rate of 8%), and neutralizing non-recurring or accounting events that increase the profit of the Company, not as a result of the increase in operations in "real terms", subject to the fact that in the year or years prior to the year of payment the Company did not record in its financial statements pre-tax losses (hereinafter – "Losses of Prior Years"). To the extent that losses were recorded in prior years, such losses shall be offset against the aforementioned pre-tax profit – in whole or in part, as applicable, for purposes of calculating the bonus.

The total annual bonus to the deputy chairman of the board shall not exceed 2% of the Company's pre-tax profit (based on the financial statements of the Company).

In addition, in any event, the total bonus of the deputy chairman of the board shall not exceed an amount equal to 36 payments of monthly management fees.

On January 14, 2020, the remuneration to which Mr. Bornstien is entitled was re-approved, with no changes being made to its conditions.

On March 31, 2022, the general meeting, further to the approval of the remunerations committee and the Board of Directors of the Company, approved the updating of the annual calculated bonus, whereby the bonus will be 2% of the pre-tax income, but in any event, it will not exceed the amount equal to 36 payments of the monthly management fee. With regard to this matter, the term "pre-tax income" refers to the amount of the pre-tax income appearing in the annual consolidated financial statements of the Company in respect of the relevant year, prior to the payment of the annual bonuses, neutralizing one-off events and/or or non-recurring income.

- (2) On March 31, 2022, the appointment of Mr. Daniel Beer (who is the son of Mr. Jacques and Mrs. Rina Beer, among the controlling shareholders of the Company), who, until that date served as Deputy CEO, was approved as the Company's CEO as of April 1, 2022. The General Meeting, further to the approval of the Remuneration Committee and the Company's Board of Directors approved the Company entering into an updated employment agreement with Mr. Daniel Beer in his capacity as CEO of the Company, in force from that date.

The following are the main terms of Mr. Daniel Beer's tenure and employment under the said employment agreement:

His gross monthly salary is NIS 88,000 (hereinafter: the "salary"). Mr. Daniel Beer is entitled to social benefits as is customary for employees in management positions in the company, vacation days, sick leave and convalescence pay, including management insurance and workmen's compensation, as well as for vehicles and mobile phones. The employment agreement is for an indefinite period. Each party shall be entitled to terminate the agreement with 30 days' prior written notice to the other party. In addition, it was agreed that Mr. Daniel Beer will be entitled to an annual bonus in an amount of no more than 15 salaries, deriving from the Company's compliance with the pre-tax profit set by the Company's board of directors in relation to a certain calendar year.

Mr. Daniel Beer is entitled to an indemnification and exemption letter, worded in the Company's accepted format and will be insured by a policy for insuring officers of the Company as long as the Company maintains such a policy.

Notes to the Consolidated Financial Statements

Note 29 – Related and interested parties (cont'd)

F. Transactions with controlling shareholders

Local manufacture of Heineken beer in Israel

The Company entered into an agreement with a company of the Heineken Group regarding a concession to manufacture at, market, sell and distribute Lager beer from the Company's Netanya plant, under the brand name "Heineken" (hereinafter – the "**concession agreement**"). Under the agreement, Tempo Industries is granted an exclusive concession for a period of 20 years (hereinafter – the "**concession period**") to be renewed for further five-year periods on each occasion (hereinafter – the "**extension periods**"), subject to each party's right to terminate the agreement by informing the other party 12 months before the end of the concession period or any of the extension periods.

In consideration of obtaining this exclusive concession, the Company shall pay Heineken annual royalties in respect of the sale of Heineken beer.

Heineken will provide the Company with technical advice in connection with the manufacture of Heineken beer, all according to an annual budget to be agreed upon each year between Heineken and the Company. The Company shall also be entitled to purchase from Heineken other services in connection with Heineken beer, for payment of the rates generally applied by Heineken.

The parties shall agree upon marketing plans for Heineken each year. In this context, the Company shall determine the pricing policy to be approved by Heineken.

The agreement includes restrictions regarding the importing and sale of products that compete with Heineken Beer.

On August 27, 2015, the board of directors of the Company approved an addendum to the franchise agreement. The addendum set out the rate of the annual royalties to be paid by the Company to Heineken in respect of the sales of Heineken beer products and the percentage of the marketing expenses for each calendar year out of the net sales receipts (as the term is defined in the updated agreement) of the Company in respect of the sales of products in the same calendar year and the mechanism for the participation of Heineken in the aforementioned marketing expenses. In addition, the definition of the territory in which the agreement applies was expanded so as to include Cyprus.

Supply agreement

The Company entered into an agreement with Preforms Beverages Ltd. (hereinafter – "Preforms"), a subsidiary of Tempo Industries, regarding the supply of polyethylene products required by the Company to produce the bottles for the beverages it manufactures.

According to the supply agreement, the Company purchases from third parties the raw materials used in the manufacture of polyethylene products, and it purchases from Preforms conversion services in connection with the manufacture of the polyethylene products for a fixed amount, as detailed in the supply agreement.

The Agreement, including all of its various appendices, was extended until March 31, 2023

On March 30, 2023 and further to the approval of the relevant organs of the Company, an additional addendum to the supply agreement was approved until March 31, 2026. The prices of the products to be supplied by Preforms to the Company were updated in accordance with the updated price quote given by Preforms to the Company on the basis of the negotiations conducted between the parties as part of which the prices of the products to be supplied were reduced.

Notes to the Consolidated Financial Statements

Note 29 – Related and interested parties (cont'd)

F. Transactions with controlling shareholders (cont'd)

Rental agreements

- On May 24, 2010, the Company and the subsidiary, Tempo Marketing (1981) Ltd., entered into an agreement with Tempo Industries, regarding the rental by the Company and the subsidiary of 10 dunams of land leased by the parent company, adjacent to the plant of the Company in Netanya. The rental period is twenty four years and eleven months, commencing on January 1, 2010. The annual rental fees pursuant to the agreement amount to NIS 2,000 thousand, linked to the Consumer Price Index.
- On June 15, 2005, the Company entered into an agreement with Tempo Industries whereby the Company rents property in Migdal Ha'emek for an amount of \$133 thousand per annum. The original agreement was for a period of 24 months, automatically renewed for additional 12-month periods, subject to the right of the Company to terminate the agreement upon advance notice of 30 days.

Transfer pricing

Pursuant to a transfer pricing study conducted in 2018 in connection with Tempo Cyprus, and taking into consideration that all of the operating and business risks in connection with the activities of Tempo Cyprus have been borne by the Company since the inception of Tempo Cyprus, it was determined that Tempo Cyprus serves as a distributor of the Company and it will be entitled to an fixed operating margin based on the transfer pricing study.

Note 30 – Leasing

The Company implements IFRS 16, *Leasing*. As part of leasing agreements, the Group leases the following items:

1. Vehicles
2. Property and office space
3. Vineyards.

(1) Information pertaining to material leasing agreements

- a. The Group leases vehicles for periods of three years and from time to time, it changes the quantity of vehicles on the basis of its current needs. The leased vehicles are identified by their license plate numbers and the leasing companies are not allowed to replace the vehicles, except if vehicles are faulty. The leased vehicles are used by the employees of the headquarters of the Group, marketing and sales personnel and other employees who have employment contracts that contain provisions requiring the Group to place a vehicle at their disposal. In addition, the Company leases trucks from a number of leasing companies, for periods of up to seven years. The trucks are used by the Company's Logistics Department for shipping purposes.

Notes to the Consolidated Financial Statements

Note 30 – Leasing (cont'd)

(1) Information pertaining to material leasing agreements (cont'd)

- b. The Company leases land in Netanya from the parent company, for a period up to 2034. The land covers an area of 10 dunams and is located near the Company's premises in Netanya. In addition, the Group leases offices and warehouses for use in its business activity, for periods of between two to fifteen years. These periods contain options to extend the leasing agreements and it is reasonable to assume that the options will be exercised.
- c. Barkan Wineries leases vineyards from various landowners for use in growing grapes. The lease periods in the agreements range from between nine years to twenty two years and they include options to extend the leasing periods. It is reasonable to assume that such options will be exercised.

(2) Right-of-usage assets (presented as part of fixed assets)

Composition

	Property and office space	Vineyards	Vehicles	Total
	NIS'000	NIS'000	NIS'000	NIS'000
Balance as at January 1, 2022	29,912	35,714	60,385	126,011
Additions (*)	11,101	739	21,631	33,471
Disposals	(225)	-	(3,466)	(3,691)
Impact of changes in exchange rates	16	-	125	141
Depreciation in respect of right-of-usage assets	(4,973)	(2,822)	(26,512)	(34,307)
Balance as at December 31, 2022	35,831	33,631	52,163	121,625
Additions (*)	30,245	475	27,888	58,608
Disposals	(108)	(1,175)	(3,837)	(5,120)
Additions as part of business combinations	2,301	-	4,030	6,331
Impact of changes in exchange rates	-	-	130	130
Depreciation in respect of right-of-usage assets	(8,069)	(2,849)	(29,543)	(40,461)
Balance as at December 31, 2023	60,200	30,082	50,831	141,113

(*) Including linkage differentials carried to the right of usage asset in an amount of NIS 3,750 thousand (2022 – NIS 5,149 thousand).

(3) Leasing liabilities

Analysis of the maturity dates of the leasing liabilities of the Group

	December 31, 2023 NIS'000
Up to one year	35,376
Between one and two years	27,476
Between two and four years	33,536
More than four years	51,542
Total	147,930

Notes to the Consolidated Financial Statements

Note 30 – Leasing (cont'd)**(4) Additional information regarding leasing liabilities****Amounts recognized in profit and loss**

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
	NIS'000	NIS'000	NIS'000
Interest expenses in respect of leasing liabilities	4,569	3,686	3,675

Note 31 – Segment reporting

The accounting principles applied in the segment reporting are in agreement with the accepted accounting principles adopted for purposes of preparation and presentation of the consolidated financial statements of the Group.

Business segments

The Company is engaged in four segments:

- Light Alcoholic beverages – manufacture, import, marketing and distribution of light alcoholic beverages.
- Alcoholic beverages – import, marketing and distribution of alcoholic beverages.
- Non-alcoholic beverages – manufacture, import, marketing and distribution of various non-alcoholic beverages.
- Barkan segment – manufacture, importing and marketing of wine and alcoholic beverages.

The segmental results are the gross profit, less selling and marketing expenses.

	Year ended December 31, 2023				
	Light Alcoholic Beverages	Alcoholic Beverages	Barkan	Non- alcoholic Beverages	Other
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Segmental revenues	404,231	369,075	180,379	982,753	57,563
Segmental results	54,940	46,893	35,170	90,754	(2,988)
Unallocated expenses					(88,155)
Operating income					136,614
Net financing expenses					(42,716)
Share of Company in losses of equity- accounted investee companies					(7,159)
Taxes on income					(15,956)
Net income for the year					70,783
Depreciation and amortization	25,535	311	24,327	18,129	

Notes to the Consolidated Financial Statements

Note 31 – Segment reporting (cont'd)

	Year ended December 31, 2022					
	Light Alcoholic Beverages	Alcoholic Beverages	Barkan	Non- alcoholic Beverages	Other	Consolidated
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000
Segmental revenues	357,560	347,665	194,625	901,928	11,443	1,813,221
Segmental results	72,825	56,281	39,768	87,754	(2,666)	253,962
Unallocated expenses						(91,097)
Operating income						162,865
Net financing expenses						(13,128)
Share of Company in losses of equity- accounted investee companies						(844)
Taxes on income						(35,696)
Net income for the year						113,197
Depreciation and amortization	27,247	556	24,659	16,396		

	Year ended December 31, 2021					
	Light- alcoholic Beverages	Alcoholic Beverages	Barkan	Non-alcoholic Beverages	Consolidated	
	NIS'000	NIS'000	NIS'000	NIS'000	NIS'000	
Segmental revenues	343,891	331,141	171,990	851,522	1,698,544	
Segmental results	68,194	43,982	34,925	102,760	249,861	
Unallocated expenses					(76,594)	
Operating income					173,267	
Net financing expenses					(10,740)	
Share of Company in profits of equity- accounted investee companies					2,860	
Taxes on income					(39,540)	
Net income for the year					125,847	
Depreciation and amortization	27,424	1,039	19,768	16,552		

Notes to the Consolidated Financial Statements

Note 32 – Subsequent events

- A. Subsequent to the date of the statement of financial position, on February 28, 2024, the Company received a notice from the Competition Authority, stating that prima facie evidence was found that the Company had violated the provisions of the Law for the Promotion of Competition in the Food Industry, 5774-2014 (hereinafter: the "Food Law"), and therefore the Company was required to provide the Competition Authority with the Company's sales turnover data for 2020-2021.

As of the date of approval of the financial statements, the Company had not yet been informed as to which violations it allegedly violated, in respect of which such turnover data were required. The Company is unable to assess the possible consequences of the said procedure on the Company and on the results of its operations.

- B. Subsequent to the date of the statement of financial position, on March 26, 2024, the board of directors passed a resolution to distribute a cash dividend to the shareholders, in an amount of NIS 30,000 thousand. The dividend will be distributed on April 18, 2024.

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