

Financial Statements

as of 30 September 2021

Electra Consumer Products (1970) Ltd.



Electra Consumer Products (1970) Ltd.

Legal Disclaimer

The attached is a convenience translation of the Board of Directors report on the state of the corporation's affairs, the consolidated statement of financial position, the consolidated statements of profit and loss ("P&L"), the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows as of 30 September 2021 for Electra Consumer Products (1970) Ltd. (the "Company") published by the Company through the MAGNA filing system (the "Hebrew Version"). This English version is partial and for convenience purposes only. This is not an official translation and has no binding effect. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

ELECTRA CP

ELECTRA — TRADE —

ELECTRA — AIR —



ELECTRA — REAL ESTATE —

ELECTRA — RETAIL —



ELECTRA — SPORTS & OUTDOOR —

ELECTRA — FOOD —





Electra Consumer Products (1970) Ltd. in Numbers



290M NIS

in EBITDA during the reporting period



70M NIS

dividends declared and paid during the reporting period



149M NIS

net earnings attributed to company shareholders



71.2%

share return in the past year (last 12 months)



iAA-

S&P rating



3.6B NIS

company value



261

branches



1.2B NIS

company equity



225K sq m

commercial space



5.9B NIS

balance sheet total



3.2B NIS

revenues during the reporting period



214M NIS

financial debt (without IFRS 16)



0.75

financial debt to EBITDA ratio (without IFRS 16)

Electra Consumer Products (1970) Ltd.

Board of Directors' Report

For the Nine Months Ended on 30 September 2021

The board of directors of Electra Consumer Products (1970) Ltd. respectfully submits the financial statements of the Company and its consolidated companies (the "**Group**") for the nine-month period ended on 30 September 2021. The review, which is presented below, is of a limited scope and relates to events and changes that occurred in the Company's affairs during the reporting period, and it should be reviewed together with the periodic report for the year ended on 31 December 2020 (the "**Periodic Report**").

1. General

1.1 Description of the Group's business

The Group operates in four primary fields of activity, which are also reported as operating segments in its financial statements, as follows: the **first** – the import, manufacture, export, marketing, sale, and distribution of electrical consumer products and the provision of services for these products ("**electrical consumer products**"); the **second** - the operation of retail marketing chains for the sale of electrical consumer products and cellular telephones and accessories (the "**electrical retail segment**"); the **third** - the operation of retail marketing chains for the sale of food and other products (the "**retail food segment**") (since 27 May 2021, the date on which the acquisition of Bitan Wines Ltd. ("**Bitan Wines**") was completed, as set forth in Note 4A to the Interim Consolidated Financial Statements, the Company has been presenting Bitan Wines' activities as the Group's separate operating segment for the operation of retail marketing chains for sales of food and other products); and the **fourth** – the development and construction of investment properties (the "**investment real estate segment**"). The Group also operates in other segments, including camping, sports, and recreation.

1.2 Description of the Company's business environment and trends

The nine months ended on 30 September 2021 (the "**Reporting Period**") were characterised by the closing of transactions that the Group started toward the end of 2020 and the beginning of 2021, which include, *inter alia*, the sale of a company, the acquisition of control in new companies by the end of the second quarter of 2021 (Q2-2021), and the initiation of their absorption, including implementation of preliminary work plans for the acquired operations as set forth below.

The Company's results in the nine-month period ended on 30 September 2021 were characterised by improvement in sales and

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For the Period Ended on 30 September 2021**

profitability in all of the ongoing operating segments in which the Company is involved.

The Company's results during the nine-month period ended on 30 September 2021 and the third quarter of 2021 reflect an improvement, which is expressed in increased revenues in the third quarter and first nine months of 2021 that amounted to NIS 1,555,801,000 and NIS 3,151,233,000, respectively, as compared with NIS 741,213,000 and NIS 1,862,025,000, respectively, in the previous year; an increase in the operating profit in the third quarter and the first nine months of 2021 that amounted to NIS 76,082,000 and NIS 209,002,000, respectively, as compared with NIS 53,871,000 and NIS 109,462,000, respectively, in the previous year; a decrease in profit before taxes on income during the third quarter of 2021 that amounted to NIS 48,315,000 compared to NIS 54,295,000 in the previous year, and an increase in profit before taxes on income during the first nine months of 2021 that amounted to the sum of approximately NIS 173,285,000 compared to NIS 107,740,000 in the previous year; an increase in net income from continuing activities in the third quarter and the nine first months of 2021 that amounted to the sum of NIS 61,075,000 and NIS 158,775,000, respectively, compared to NIS 41,493,000 and NIS 79,828,000 in the previous year, respectively; and an increase in EBITDA in the third quarter and the first nine months of 2021 that amounted to NIS 147,482,000 and NIS 290,113,000, respectively, compared to NIS 71,134,000 and NIS 160,076,000 in the previous year, respectively.

For the first time, during the course of the second quarter of the year (beginning in the month of June), Bitan Wines' results were included in the Group's results (in the retail food segment). The first-time consolidation of Bitan Wines during the Reporting Period contributed approximately NIS 1,001,048,000 to revenue turnover and approximately NIS 37,829,000 to operating profit, and the retail food segment operations contributed approximately NIS 100,044,000 to the EBITDA. (For additional details regarding the acquisition of Bitan Wines, see Section 1.3.1 below.)

Net cash used in regular operations amounted to approximately NIS 21,832,000 during the course of the first nine months of 2021, as compared with net cash that derived from regular operations in the sum of approximately NIS 175,883,000 in the previous year. The decrease in cash flows from regular operations during the Reporting Period compared to the parallel period the previous year primarily derived from an increase in the procurement of inventories during the Reporting Period- primarily, as a result of increased sales and the uncertainty prevailing around the globe both as to (primarily maritime) shipping as well as merchandise shortages and price increases - and secondarily, from an increase in the variety of products and the opening of new branches.

1.3 Principal events during the Reporting Period

1.3.1 **Acquisition of control of Bitan Wines**

On 5 May 2021, the Company and its subsidiary executed agreements with Bitan Wines Ltd., Mr. Nahum Bitan, Ms. Nurit Bitan, and companies in the Phoenix Group to acquire control of Bitan Wines.

After the fulfilment of the conditions precedent, including obtaining the approval of the Director General of the Competition Authority for the transaction, on 27 May 2021, the subsidiary invested and acquired shares in Bitan Wines that constituted approximately 35.05% of its share capital, fully diluted. As previously noted, as of that date, the Group has been incorporating the results of Bitan Wines operations into its financial statements.

The deal conforms to the strategic plan adopted by the Group for the coming years through which it aims to continue securing its position as a leader in retail. The deal will facilitate the Group's realisation of the plan by expanding the Group's business model into additional fields in the world of retail, integrating the Group's core ability with Bitan Wines' assets, and creating opportunities for additional growth engines for the Group.

As of the date of this report, Bitan Wines operates a retail food chain under the brands, "Mehadrin Market," "Mega," and "Bitan Wines," and owns approximately 150 branches spread across the country.

See Note 4A to the Interim Consolidated Financial Statements for additional details in connection with the above agreements and the transaction's structure.

1.3.2 **Engagement in allocation and purchase agreements with Saar A.T. Enterprises and Trade Co. Ltd.**

On 18 April 2021, a subsidiary of the Company entered into share allocation and share purchase agreements with Saar A.T. Enterprises and Trade Co. Ltd. and the shareholders in Saar st Enterprises and Trade Co. Ltd., which are conditioned on the fulfilment of conditions precedent that were met in full on 22 June 2021. The transaction closing date was that same day.

See Note 4B to the Interim Consolidated Financial Statements for additional details in connection with the allocation and share purchase agreements.

1.3.3 Engagement in an allocation agreement with Office 3000 Ltd. and Office 3000 Duty Ltd.

During the course of October 2021, the remaining conditions precedent were fulfilled, and the Company's subsidiary was allocated 50.01% of Office Duty's issued and paid-up share capital.

See Note 4C to the Interim Consolidated Financial Statements for additional details in connection with the allocation agreement.

1.3.4 Rating

In August 2021, Standard & Poor's Maalot notified the Company of its new rating (ILAA-/stable), and it determined that the rating forecast is stable.

1.3.5 Splitting the electrical retail segment

On 22 March 2021, the Company's board of directors approved the Company's engagement in a splitting agreement between the Company, on the one hand, and Electra Consumer Products (1951) Ltd., on the other, and a company that was established on 28 April 2021 in the framework of which the electrical retail and retail food segments' operations would be split up and transferred to a new subsidiary of the Company. As of the date of the publication of this report, the split has not yet been approved by the Income Tax Authority.

See Note 5E to the Interim Consolidated Financial Statements for additional details in connection with the split.

1.3.6 Execution of a detailed sale agreement with the Reality Real Estate Investments Fund

During the course of July 2021, the Company executed a detailed sale agreement with the Reality Real Estate Investments Fund 4, Limited Partnership, for the sale of half (50%) of the Company's ownership rights in real estate in Rishon Le'Zion, which are presented in these financial statements as investment property on which the Group's offices and the Company's plant are located, as well as a joint transaction agreement that regulates the relationship between them in everything relating to real estate.

See Note 5D to the Interim Consolidated Financial Statements for additional details in connection with the sale agreement.

1.3.7 Sale of Airwell Residential SAS

On 15 April 2021, an indirect subsidiary of the Company executed an agreement for the sale of Airwell Residential SAS, a subsidiary of the indirect subsidiary that operates in France (“**ARS**”).

As a result of said sale of ARS, the sales turnover in the electrical consumer products segment decreased by approximately NIS 94,000,000 and by approximately NIS 29,000,000 during the nine-month and three-month periods ended on 30 September 2021, respectively, compared to the parallel periods of the previous year.

See Note 5K to the Interim Consolidated Financial Statements for additional details in connection with the above agreement.

1.3.8 Execution of a full franchise agreement with 7-Eleven, Inc.

On 11 October 2021, the Company and its subsidiary, Electra Consumer Products (1951) Ltd., executed a full franchise agreement with 7-Eleven, Inc. In the franchise agreement, the parties agreed that the franchise term would be 20 years with an option to extend the term by up to a maximum of 50 additional years subject to meeting the conditions that were established in the franchise agreement.

See Note 9C to the Interim Consolidated Financial Statements for additional details in connection with the above franchise agreement.

1.3.9 Entry into the solar industry

On 31 October 2021, the Company's subsidiary, Electra Consumer Products (1951) Ltd., and Solar Sensei Investments and Services Ltd., closed a deal to establish a partnership by the name of, “Electra Solar Equipment,” which would operate in the solar industry. Similarly, Electra Solar executed an agreement to distribute SolarEdge products.

See Note 5V to the Interim Consolidated Financial Statements for additional details in connection with the Company's entry into the solar industry.

1.3.10 Health emergencies (implications of the coronavirus pandemic on the Group's operations)

Starting in the first quarter of 2020 (and as of the date of the financial statements), an event with macroeconomic implications has been affecting the world – the spread of the novel coronavirus. As a result, steps were taken in Israel (as well as most other countries around the world) to mitigate exposure to the virus, including restrictions on movement (domestic and international) as well as gatherings; guidelines for quarantine and lockdown; and closure of businesses, entertainment and leisure locations, and the like. In the last several months, a new mutation of the virus, referred to as the "Delta" variant, has begun spreading around the globe.

As of the date of the signing of these financial statements, there are "Green Pass" restrictions in place.

In the assessment of Company management, as of the date of the signing of these financial statements, there has been no significant impact on the Group's operations and results.

However, if the crisis were to deepen and lead to a significant and ongoing slow-down in business activity in Israel and across the globe, then that might have an impact on the Group's financial results.

We note that the Company's assessments - regarding the possible implications of the spread of the novel coronavirus on its operations and business - are uncertain, outside of the Company's control, and amount to forward-facing information as the term is defined in the Securities Law, 5728-1968. These assessments are based, *inter alia*, on publications on the subject in Israel and around the world, the actions that were taken and are being taken to deal with the spread of the virus, and the Company management's experience with the market (including with economic crises), and accordingly, the materialisation and/or scope of the assessments are uncertain.

- 1.3.11** See Notes 5 and 9 to the Interim Consolidated Financial Statements, respectively, regarding additional significant events in the Reporting Period and thereafter.

The Board of Directors' explanations of the state of the Company's affairs

2. Financial Position:

Below is a summary of the statements of financial position (in NIS thousands):

	As at September 30		As at 31
	2021	2020	December
			2020
	Thousands NIS		Thousands
			NIS
Current assets	1,815,540	1,333,070	1,440,393
Non-current assets	4,098,454	673,033	685,414
Total assets	5,913,994	2,006,103	2,125,807
Current liabilities	2,412,545	1,041,018	1,310,107
Non-current liabilities	2,277,974	342,496	192,491
Total equity	1,223,475	622,589	623,209
Total liabilities and equity	5,913,994	2,006,103	2,125,807

Assets

- 2.1. The total non-current assets amounted to approximately NIS 1,816,000,000 as at 30 September 2021, as compared with approximately NIS 1,440,000,000 as at 31 December 2020. The increase in current assets primarily derived from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Saar, and Office Duty (for additional details, see Notes 4A, B, and C to the Interim Consolidated Financial Statements) as well as from increased inventory balances that derived from an increase in inventory stocks primarily, as a result of increased sales and the uncertainty prevailing around the globe both as to (primarily maritime) shipping as well as merchandise shortages and price increases and secondarily, from an increase in the variety of products and the opening of new branches.
- 2.2. The total non-current assets amounted to approximately NIS 4,098,000,000 as at 30 September 2021, as compared with approximately NIS 685,000,000 as at 31 December 2020. The increase primarily derived from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Saar, and Office Duty (for additional details, see Notes 4A, B, and C to the Interim Consolidated Financial Statements) as well as from an increase in the fixed assets line and the right of use assets line as a result of the renewal of the leased vehicle fleet and the opening of new stores as well as the revaluation of the investment properties that derived from the transaction for

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the sale of investment properties to the Reality Fund (For additional details, see Note 5D to the Interim Consolidated Financial Statements.)

Liabilities

2.3 The total current liabilities amounted to approximately NIS 2,413,000,000 as at 30 September 2021, as compared with approximately NIS 1,310,000,000 as at 31 December 2020. The increase primarily derived from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Saar, and Office Duty (for additional details, see Notes 4A, B, and C to the Interim Consolidated Financial Statements), which was partially offset by the early repayment of a bank loan used for the purchase of investment properties.

2.4 The total non-current liabilities amounted to approximately NIS 2,278,000,000 as at 30 September 2021, as compared with approximately NIS 192,000,000 as at 31 December 2020. The increase primarily derived from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Saar, and Office Duty (for additional details, see Notes 4A, B, and C to the Interim Consolidated Financial Statements) as well as an increase in the leasing liabilities line in accordance with a parallel increase in the right of use assets line as a result of the renewal of the leased vehicle fleet and the opening of new stores and an increase in the long-term loans from banking corporations line that resulted from the taking of new loans during the Reporting Period in the amount of approximately NIS 510,000,000 (For additional details, see Note 5O to the Interim Consolidated Financial Statements.)

Equity

2.5 Shareholder equity as at 30 September 2021 amounted to approximately NIS 1,223,000,000 (including noncontrolling interests in the sum of approximately NIS 542,000,000), as compared with approximately NIS 623,000,000 as at 31 December 2020. The increase in equity during the Reporting Period primarily derived from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Saar, and Office Duty (for additional details, see Notes 4A, B, and C to the Interim Consolidated Financial Statements) and from comprehensive income in the sum of approximately 169,000,000, which was partially offset by dividends that were declared and paid during the Reporting Period in the sum of NIS 40,000,000 and a dividend that was declared during the Reporting Period for NIS 30 million, which was paid at the start of October 2021.

Financial debt, net

2.6 The Company's financial debt, net amounted to approximately NIS 1,974,000,000 as at 30 September 2021, as compared with financial assets, net of approximately NIS 231,000,000 as at 31 December 2020.

2.7 The Company's financial debt, net, after eliminating leasing liabilities (IFRS 16), amounted to a financial debt, net of approximately NIS 214,000,000 as at 30 September 2021, as compared with a financial asset, net of approximately NIS 362,000,000 as at 31 December 2020. The decrease in the financial asset, net as at 30 September 2021 compared to 31 December 2020 primarily derived from the acquisition of new companies during the second quarter of the year (primarily from the acquisition of Bitan Wines), as noted in Sections 1.3.1, 1.3.2, and 1.3.3 above, and from the consolidation of a financial debt, net that was generated by the initial consolidation of these new companies in the sum of approximately NIS 83,000,000. The decrease derived as well from cash used to pay dividends to shareholders in the sum of NIS 40,000,000 for investment in property in the sum of approximately NIS 66,000,000, for payment of liabilities for a lease in the sum of approximately NIS 73,000,000, and for payment of liabilities to others in the sum of NIS 58,000,000 million.

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2.8. Segmental assets and liabilities

30 September 2021							
Segment	Electrical	Retail food	Investment	Other	Adjustments and	Total	
Electrical consumer products	retail segment	segment	property segment	segments	other		
Thousands NIS							
Current assets	1,370,497	377,146	345,188	-	124,774	(402,065)	1,815,540
Non-current assets	175,699	413,813	3,038,740	269,700	190,670	9,832	4,098,454
Current liabilities	475,114	676,459	1,176,859	7,500	74,797	1,816	2,412,545
Non-current liabilities	410,195	174,967	1,581,274	4,552	81,236	25,750	2,277,974
Financial debt, net	(170,739)	(155,292)	(1,568,000)	-	(80,000)	-	(1,974,031)
Financial asset (debt), net (without IFRS 16)	(147,710)	28,462	(113,000)	-	18,000	-	(214,248)

30 September 2020					
Segment	Electrical	Investment	Adjustment	Total	
Electrical consumer products	retail segment	property segment	s and other		
Thousands NIS					
Current assets	1,328,830	306,382	-	(302,142)	1,333,070
Non-current assets	96,606	291,526	216,530	68,371	673,033
Current liabilities	464,229	630,740	13,550	(67,501)	1,041,018
Non-current liabilities	106,070	93,952	57,839	84,635	342,496
Financial asset (debt), net	254,315	(38,383)	(71,389)	-	144,543
Financial asset (debt), net (without IFRS 16)	264,838	69,079	(71,389)	-	262,528

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	31 December 2020				Total
	Segment Electrical consumer products	Electrical retail segment	Investment property segment Thousands NIS	Adjustments and other	
Current assets	1,275,210	392,654	-	(227,471)	1,440,393
Non-current assets	105,491	304,883	216,530	58,510	685,414
Current liabilities	461,374	723,821	64,658	60,254	1,310,107
Non-current liabilities	84,628	105,654	-	2,209	192,491
Financial asset (debt), net	335,746	(40,290)	(64,658)	-	230,798
Financial asset (debt), net (without IFRS 16)	347,281	79,470	(64,658)	-	362,093

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3. Operations Results:

3.1 Summary of business results by period (in NIS thousands):

	For the nine months ended on September 30		For the year ended on December 31			
	2021	% of turnover	2020	% of turnover		2020
Revenues from sales and provision of services	3,151,233		1,862,025		2,573,373	
Cost of sales and provision of services	2,283,275		1,405,656		1,951,831	
Gross profit	867,958	27.5%	456,369	24.5%	621,542	24.2%
Sales and marketing expenses	(643,709)		(319,909)		(451,353)	
Administrative and general expenses	(51,943)		(25,399)		(35,421)	
Research and development expenses	(5,716)		(5,402)		(7,244)	
Other income, net	42,412		3,803		2,842	
Operating profit	209,002	6.6%	109,462	5.9%	130,366	5.1%
Financing income	6,460		10,346		3,338	
Financing expenses	(42,177)		(12,068)		(14,352)	
Profit before taxes on income	173,285	5.5%	107,740	5.8%	119,352	4.6%
Taxes on income	(14,510)		(27,912)		(28,907)	
Net income from continuing operations	158,775	5.0%	79,828	4.3%	90,445	3.5%
Net income from discontinued operations	-		201,259		201,259	
Net profit	158,775	5.0%	281,087	15.1%	291,704	11.3%

3.1.1. Revenues

The Group's revenues amounted to approximately NIS 3,151,000,000 in the nine-month period ended on 30 September 2021, as compared with approximately NIS 1,862,000,000 in the parallel period of the previous year, an increase of approximately 69.2%. The increased sales turnover primarily derived from the first-time consolidation of Bitan Wines', Office Duty's, and Saar A.T. Enterprises & Trading's results, which contributed approximately NIS 1,088,000,000 to the revenue turnover, from an increase in electrical retail segment revenues in the sum of approximately NIS 172,000,000, and from an increase in electrical consumer products segment revenues in the sum of approximately NIS 31,000,000 despite the fact that in the previous year, the sales turnover from this segment included sales from the subsidiary in France, which was sold during the course of the second quarter of 2021 and whose revenue turnover in the previous year came to the sum of approximately NIS 94,000,000. (See Section 4 below for additional details in connection with reporting regarding business segments.)

3.1.2 Gross profit

The gross profit rate in the Reporting Period stood at approximately 27.5% of the sales turnover, as compared with approximately 24.5% in the parallel period of the previous year. The gross profit in the Reporting Period amounted to approximately NIS 868,000,000, as compared with approximately NIS 456,000,000 in the parallel period of the previous year, an increase of approximately 90.2%. Consolidation of the results of the acquired companies that were consolidated for the first time, as noted above, contributed approximately NIS 352,000,000 to gross profit. Additionally, the increase in the gross profit derived from the electrical consumer products segment in the sum of approximately NIS 13,000,000 and the electrical retail segment in the sum of approximately NIS 45,000,000.

3.1.3. [Sales and marketing expenses](#)

Sales and marketing expenses amounted to approximately NIS 644,000,000 (20.4% of sales turnover) in the Reporting Period, as compared with approximately NIS 320,000,000 (17.2% of sales turnover) in the parallel period of the previous year. Consolidation of the results of the acquired companies that were consolidated for the first time, as noted above, contributed the sum of approximately NIS 284,000,000. The additional increase in expenses primarily derived from the electrical retail segment as a result from an increase in salary expenses that derived from an increase in revenue turnover and profitability as well as the opening of new branches compared to savings in rent, employee salaries, and municipal property taxes, which had resulted, during the second quarter of last year, from the effects of the Covid pandemic (closed branches and furloughed employees).

3.1.4. [Administrative and general expenses](#)

Administrative and general expenses in the Reporting Period amounted to approximately NIS 52,000,000 (1.6% of sales turnover), as compared with approximately NIS 25,000,000 in the parallel period of the previous year (1.4% of sales turnover). The first-time consolidation of Bitan Wines' results contributed an expense of approximately NIS 22,000,000.

3.1.5. [Research and development expenses](#)

Research and development expenses amounted to approximately NIS 5,700,000 in the Reporting Period, as compared with approximately NIS 5,400,000 in the parallel period of the previous year.

3.1.6. [Other income, net](#)

Other income, net amounted to approximately NIS 42,000,000 in the Reporting Period, as compared with other income, net of approximately NIS 4,000,000 in the parallel period of the previous year. The main income during the Reporting Period derived from income from the revaluation of investment properties in Rishon Le'Zion by approximately NIS 51,000,000 primarily, resulting from the sale of half of the land to the Reality Fund (for additional details, see Note 5D to the Interim Consolidated Financial Statements), which was set off from other expenses, net from the disposal by the subsidiary of the indirect subsidiary in France (for additional details, see Note 5K to the Interim Consolidated Financial Statements) in the sum of approximately NIS 6,000,000 primarily, owing to the realisation of a loss

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from the translation differential principal and transactional expenses with respect to the acquisition of various companies in the sum of approximately NIS 4,000,000.

3.1.7. Operating profit

Operating profit amounted to approximately NIS 209,000,000 in the Reporting Period, as compared with operating profit of approximately NIS 109,000,000 in the parallel period of the previous year, an increase of approximately 91%. Consolidation of the results of the acquired companies that were consolidated for the first time, as noted above, contributed approximately NIS 41,000,000 in profits.

3.1.8. Financing expenses, net

Financing expenses, net amounted to approximately NIS 36,000,000 in the Reporting Period, as compared with financing expenses, net of approximately NIS 2,000,000 in the parallel period of the previous year. Consolidation of the results of the acquired companies that were consolidated for the first time, as noted above, contributed approximately NIS 34,000,000 in financing expenses, net (primarily Bitan Wines, which contributed the sum of approximately NIS 32,000,000).

3.1.9. Profit before taxes on income

Profit before taxes on income amounted to approximately NIS 173,000,000 in the Reporting Period, as compared with profit before taxes on income of approximately NIS 108,000,000 in the parallel period of the previous year.

3.1.10 Taxes on income

Expenses for taxes on income amounted to approximately NIS 15,000,000 in the Reporting Period, as compared with approximately NIS 28,000,000 in the parallel period of the previous year. Tax expenses during the Reporting Period included the recording of income from deferred tax in the sum of approximately NIS 26,000,000 for carried over losses that derived from a merger by the Company's subsidiary, Electra Consumer Products (1951) Ltd., with its subsidiaries during the Reporting Period. (See Note 5P to the Interim Consolidated Financial Statements for additional details.)

3.1.11 Net income from continuing operations

Net income from continuing operations amounted to approximately NIS 159,000,000 in the Reporting Period, as compared with approximately NIS 80,000,000 in the parallel period of the previous year.

3.1.12. Net income from discontinued operations

Net profit from discontinued operations last year came to the sum of approximately NIS 201,000,000 and derived from Golan Telecom, which was sold during the third quarter of last year.

3.1.13 [Net income](#)

Net income amounted to approximately NIS 159,000,000 during the Reporting Period, as compared with approximately NIS 281,000,000 in the parallel period of the previous year.

3.1.14. [EBITDA*](#))

The EBITDA amounted to approximately NIS 290,000,000 in the Reporting Period, as compared with approximately NIS 160,000,000 in the parallel period of the previous year, an increase of approximately 81.2%.

The EBITDA, after neutralising the effects of IFRS 16, amounted to approximately NIS 187,000,000 in the Reporting Period, as compared with approximately NIS 133,000,000 in the parallel period of the previous year, an increase of approximately 40.5%.

*) [EBIDTA](#) is calculated as revenue before depreciation and amortisation, interest, other income (expenses), and taxes on income.

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3.2. Summary of business results by quarter (in NIS thousands):

	Quarter		Quarter	
	7-9/2021	% of turnover	7-9/2020	% of turnover
Revenues from sales and provision of services	1,555,801		741,213	
Cost of sales and provision of services	1,110,551		556,893	
Gross profit	445,250	28.6%	184,320	24.9%
Sales and marketing expenses	(341,640)		(120,918)	
Administrative and general expenses	(26,570)		(9,288)	
Research and development expenses	(1,828)		(1,545)	
Other income, net	870		1,302	
Operating profit	76,082	4.9%	53,871	7.3%
Financing income	(188)		3,356	
Financing expenses	(27,579)		(2,932)	
Income before taxes on income	48,315	3.1%	54,295	7.3%
Tax benefit (taxes on income)	12,760		(12,802)	
Net income from continuing operations	61,075	3.9%	41,493	5.6%
Net income from discontinued operations	-		177,732	
Net profit	61,075	3.9%	219,225	29.6%

3.2.1. Revenues

The Group's revenues amounted to approximately NIS 1,556,000,000 in the third quarter of 2021, as compared with approximately NIS 741,000,000 in the parallel period of the previous year, an increase of approximately 109.9%. The increased sales turnover primarily derived from the first-time consolidation of the results of the acquired companies, which contributed approximately NIS 830,000,000 to revenue turnover and were offset with a decrease in sales in the electrical consumer products segment, which derived from the sale of the French indirect subsidiary that was engaged in the air conditioners industry overseas during the course of the second quarter of 2021 (for additional details, see Note 5K to the Interim Consolidated Financial Statements), as well as a decrease in brand commerce and a decrease in the air conditioners sector in Israel, and the impact of a decrease in sales turnover in the electrical retail segment that derived from the timing of the Jewish High Holidays, which, in the previous year, fell during the third and fourth quarters (September and October), whereas this year, they fell during the third quarter in September. (For additional details in connection with reporting regarding business segments, see Section 4 below.)

3.2.2. [Gross profit](#)

The gross profit rate in the third quarter of 2021 stood at approximately 28.6% of the sales turnover, as compared with approximately 24.9% during the parallel period of the previous year. The gross profit in the third quarter of 2021 amounted to approximately NIS 445,000,000, as compared with approximately NIS 184,000,000 in the parallel period of the previous year, an increase of approximately 141.6%. Consolidation of the results of the acquired companies that were consolidated for the first time, as noted above, contributed approximately NIS 270,000,000 to gross profit. The increase gross profit derived from the gross profitability of new operations that were consolidated for the first time during the Reporting Period.

3.2.3. [Sales and marketing expenses](#)

Sales and marketing expenses amounted to approximately NIS 342,000,000 (approximately 21.9% of sales turnover) in the third quarter of 2021, as compared with approximately NIS 121,000,000 (approximately 16.3% of sales turnover) in the parallel period of the previous year. Consolidation of the results of the acquired companies, which were consolidated for the first time, contributed an expense of approximately NIS 222,000,000.

3.2.4. [Administrative and general expenses](#)

Administrative and general expenses amounted to approximately NIS 27,000,000 (approximately 1.7% of sales turnover) in the third quarter of 2021, as compared to approximately NIS 9,000,000 (approximately 1.3% of sales turnover) in the parallel period of the previous year. The first-time consolidation of Bitan Wines results contributed an expense of approximately NIS 16,000,000.

3.2.5. [Research and development expenses](#)

Research and development expenses amounted to approximately NIS 1,800,000 in the third quarter of 2021, as compared with approximately NIS 1,500,000 in the parallel period of the previous year.

3.2.6. [Other income, net](#)

Other income, net amounted to approximately NIS 900,000 in the third quarter of 2021, as compared with approximately NIS 1,300,000 in the parallel period of the previous year.

3.2.7. [Operating profit](#)

Operating profit amounted to approximately NIS 76,100,000 in the third quarter of 2021, as compared with approximately NIS 53,900,000 in the parallel period of the previous year, **an increase of approximately 41%**. Consolidation of the results of the acquired companies that were consolidated for the first time contributed approximately NIS 35,700,000 to the operating profit.

3.2.8. [Financing income \(expenses\), net](#)

Financing expenses, net amounted to approximately NIS 27,700,000 in the third quarter of 2021, as compared with financing income, net of approximately NIS 400,000 in the parallel period of the previous year. Consolidation of the results of the acquired companies that were consolidated for the first time contributed the sum of approximately NIS 25,000,000 to financing expenses.

3.2.9. [Profit before taxes on income](#)

Profit before taxes amounted to approximately NIS 48,300,000 in the third quarter of 2021, as compared with profit before taxes on income of approximately NIS 54,300,000 in the parallel period of the previous year.

3.2.10. [Taxes on income](#)

Revenues from taxes on income amounted to approximately NIS 13,000,000 in the third quarter of 2021, as compared with tax expenditures in the sum of approximately NIS 13,000,000 in the parallel period of the previous year. Tax revenues during the Reporting Period included the recording of income from deferred tax in the sum of approximately NIS 26,000,000 for carried over losses that derived from a merger by the Company's subsidiary, Electra Consumer Products (1951) Ltd., with its subsidiaries during the Reporting Period. (See Note 5P to the Interim Consolidated Financial Statements for additional details.)

3.2.11 [Net profit from continuing operations](#)

Net income from continuing operations amounted to approximately NIS 61,100,000 in the third quarter of 2021, as compared with net income from continuing operations of approximately NIS 41,500,000 in the parallel period of the previous year, **an increase of approximately 47%**.

3.2.12. [Net income from discontinued operations](#)

Net profit from discontinued operations came to the sum of approximately NIS 178,000,000 during the previous period last year and derived from the sale of Golan Telecom in the third quarter of the previous year.

3.2.13 [Net profit](#)

Net profit amounted to approximately NIS 61,100,000 in the third quarter of 2021, as compared with approximately NIS 219,200,000 in the parallel period of the previous year.

3.2.14. (EBITDA) *)

EBITDA amounted to approximately NIS 147,000,000 in the third quarter of 2021, as compared with approximately NIS 71,000,000 in the parallel period of the previous year, an increase of approximately 107%.

EBITDA, after neutralising the impact of IFRS 16, amounted to approximately NIS 82,000,000 in the third quarter of 2021, as compared with approximately NIS 62,000,000 in the parallel period of the previous year, an increase of approximately 33%.

*) EBITDA is calculated as revenue before depreciation and amortisation, interest, other income (expenses), and taxes on income.

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4. Report on Business Segments

4.1 Revenue (in NIS thousands):

	For the nine months ended on September 30			For the three months ended on September 30		
	in NIS thousands			in NIS thousands		
	2021	2020	% change (*)	2021	2020	% change (*)
Electrical consumer products	959,935	901,568	6.5%	319,938	349,853	(8.6%)
Electrical retail	1,290,315	1,059,762	21.8%	471,375	435,265	8.3%
Retail food	1,001,648	-	-	760,074	-	-
Investment property	8,990	7,390	21.7%	2,979	2,997	(0.6%)
Other	27,930	-	-	27,930	-	-
Adjustments and other	(137,585)	(106,695)	29.0%	(26,495)	(46,902)	(43.5%)
Total	3,151,233	1,862,025	69.2%	1,555,801	741,213	109.9%

4.2 Segmental profit (in NIS thousands):

	For the nine months ended on September 30			For the three months ended on September 30		
	in NIS thousands			in NIS thousands		
	2021	2020	% change (*)	2021	2020	% change (*)
Electrical consumer products	96,037	82,288	16.7%	31,639	34,307	(7.8%)
Electrical retail	61,759	55,291	11.7%	24,785	28,382	(12.7%)
Retail food	37,829	-	-	31,255	-	-
Investment property	59,876	7,390	710.2%	1,404	2,997	(53.2%)
Other	(1,613)	-	-	(1,613)	-	-
Adjustments and other	(14,768)	(10,108)	46.1%	(1,272)	(2,527)	(49.7%)
Total segmental profit	239,120	134,861	77.3%	86,198	63,159	36.5%
Unallocated joint expenses	30,118	25,399	18.6%	10,116	9,288	8.9%
Operating profit	209,002	109,462	90.9%	76,082	53,871	41.2%

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4.3 Segmental EBITDA after neutralising effects of IFRS 16 (in NIS thousands):

	For the nine months ended on September 30			For the three months ended on September 30		
	in NIS thousands			in NIS thousands		
	2021	2020	% change (*)	2021	2020	% change (*)
Electrical consumer products	107,623	94,483	13.9%	36,865	39,412	(6.5%)
Electrical retail	67,639	59,124	14.4%	26,910	28,749	(6.4%)
Retail food	33,444	-	-	25,865	-	-
Investment property	8,990	7,390	21.7%	2,979	2,997	(0.6%)
Other	(154)	-	-	(154)	-	-
Adjustments and other	(529)	(2,539)	(79.2%)	(234)	(148)	58.1%
Total segmental EBITDA	217,013	158,458	37.0%	92,231	71,010	29.9%
Unallocated joint expenses	30,118	25,399	18.6%	10,116	9,288	8.9%
EBITDA	186,895	133,059	40.5%	82,115	61,722	33.0%

*) The percent change is calculated based on the ratio between the 2021 results and the 2020 results.

4.4 [Explanation of the data that appears in the table](#)

(1) [Electrical consumer products](#)

The sales turnover amounted to approximately NIS 960,000,000 in the Reporting Period, as compared with approximately NIS 902,000,000 in the parallel period of the previous year, an increase of approximately 6.5%. The increase in revenues derived from an increase in the air conditioners sector in Israel - which was partially offset by a decrease in the air conditioners sector overseas, which resulted from the sale of the indirect subsidiary in France at the start of the second quarter, **which during the parallel period last year, contributed to a turnover of approximately NIS 94,000,000** - and an increase in brand commerce. **The segmental income amounted to approximately NIS 96,000,000 in the nine months ended on 30 September 2021, which constituted approximately 10% of the sales turnover, as compared with approximately NIS 82,000,000, which constituted approximately 9.1% of the sales turnover, in the parallel quarter of the previous year.** The change in the segmental profit during the Reporting Period as compared with the parallel period of the previous year **constitutes an increase of approximately 16.7%** and primarily derived from growth in sales and improvement in gross profit.

The sales turnover amounted to approximately NIS 320,000,000 in the third quarter of 2021, as compared with approximately NIS 350,000,000 in the parallel period of the previous year, a decrease of approximately 8.6%. **After neutralising the decrease in profit that derived from the sale of air conditioners operations overseas, the sales turnover in the previous year amounted to approximately NIS 321,000,000.** The segmental income amounted to approximately NIS 32,000,000 in the third quarter of 2021, which constituted approximately 9.9% of the sales turnover, as compared with approximately NIS 34,000,000, which constituted approximately 9.8% of the sales turnover, in the parallel quarter of the previous year. The decrease in the segmental profit in the third quarter of 2021 as compared with the parallel period of the previous year primarily derived from a decrease in segmental profits.

(2) [Electrical retail](#)

The sales turnover amounted to approximately NIS 1,290,000,000 in the Reporting Period, as compared with approximately NIS 1,060,000,000 in the parallel period of the previous year, an increase of approximately 21.8%.

The growth derived from the opening of 12 new branches during the period, the Company's commencing operation of a duty-free store, and improved same store sales as set forth below.

Average monthly sales per square metre in same stores amounted to NIS 3,416 per square metre, as compared with NIS 3,327 per square metre in the parallel period of the previous year, an increase of approximately 2.7%.

The sales in the same stores in the segment that operated fully in the Reporting Period increased by approximately 4.2% as compared to the parallel period of the previous year.

The segmental profit amounted to approximately NIS 62,000,000 in the Reporting Period, which constitutes approximately 4.8% of the sales turnover, as compared with approximately NIS 55,000,000, which constitutes approximately 5.2% of the sales turnover, in the parallel period of the previous year.

The sales turnover amounted to approximately NIS 471,000,000 in the third quarter of 2021, as compared with approximately NIS 435,000,000 in the parallel period of the previous year, an increase of approximately 8.3%. The growth derived from the opening of new branches and the Company's commencing operation of a duty-free store during the second quarter of 2021.

Average monthly sales per square metre in same stores amounted to NIS 3,505 per square metre in the third quarter, as compared with NIS 4,158 per square metre in the parallel period of the previous year, a decrease of approximately 15.7%.

The sales in the same stores in the segment that operated fully in the third quarter of 2021 decreased by approximately 13.1% as compared with the previous year. The decrease in sales in the same stores primarily derived from the timing of the Jewish High Holidays, which this year took place in September, during the course of which there were very few sale days compared to the previous year.

The segmental income amounted to approximately NIS 24,800,000 in the third quarter of 2021, which constituted approximately 5.3% of the sales turnover, as compared with approximately NIS 28,400,000, which constituted approximately 6.5% of the sales turnover, in the parallel period of the previous year, a decrease of approximately 12.7%.

(3) [Retail food](#)

As noted in Note 4A to the Company's Interim Consolidated Financial Statements, on 27 May 2021, the Company and the subsidiary closed on agreements for the acquisition of control of Bitan Wines. Since then, the Company has been incorporating Bitan Wines results into its financial statements. The sales turnover and the segmental profit during the Reporting Period amounted to the sums of NIS 1,001,648,000 and NIS 37,829,000, respectively. The sales turnover and the segmental profit during the third quarter of 2021 amounted to the sums of NIS 760,074,000 and NIS 31,255,000, respectively.

For a pro-forma analysis of business results, see Note 7 below. (See Note 4A to the Interim Consolidated Financial Statements for additional details in connection with the acquisition of Bitan Wines.)

(4) [Investment property](#)

The segmental revenues and profit amounted to approximately NIS 9,000,000 and approximately NIS 60,000,000, respectively, during the Reporting Period, as compared with segmental revenues and profit of approximately NIS 7,000,000 in the parallel period of the previous year. Segmental revenues derived from rental revenues within the Group, and the increase thereof derived from a one-time credit that was awarded last year because of the Covid pandemic. The increase in segmental profit during the Reporting Period as compared to the previous year primarily derived from the revalued profit from investment property following the execution of an agreement with the Reality Fund in which the Company sold to Reality Fund half (50%) of the Company's ownership rights in the investment property.

(See Note 5D to the Interim Consolidated Financial Statements for additional details in connection with the above sale agreement.)

The segmental revenues and profit during the third quarter of 2021 amounted to approximately NIS 3,000,000 and approximately NIS 1,000,000, respectively, as compared with segmental revenues and profit of approximately NIS 3,000,000 in the parallel period of the previous year. Segmental revenues derived from rental revenues within the Group. The decrease in segmental profit derived from expenses that were incurred in this segment during the third quarter of 2021 as a result of the disposal of 50% of the Company's ownership interests in investment property as noted above.

(5) [Other](#)

For details regarding other segments, see Appendix A below.

5. The Impact of the Implementation of International Financial Reporting Standard No. 16 – Leases

The impact of IFRS 16 – Leases on the consolidated statement of profit and loss (in NIS thousands)

	1-9.2021		7-9.2021		1-12.2020	
	As reported	Without the impact of the implementation – of IFRS 16 Leases	As reported	Without the impact of the implementation of IFRS 16 – Leases	As reported	Without the impact of the implementation of IFRS 16 – Leases
Operating profit	209,002	188,804	76,082	63,891	130,366	128,162
Financing expenses, net	(35,717)	(4,091)	(27,767)	(5,174)	(11,014)	(7,371)
Income before taxes on income	173,285	184,713	48,315	58,717	119,352	120,791
Tax benefit (taxes on income)	(14,510)	(14,510)	12,760	12,760	(28,907)	(28,907)
Net income from continuing operations	158,775	170,203	61,075	71,477	90,445	91,884
Net income from terminated operations	-	-	-	-	201,259	201,291
Net income attributable to Company shareholders	148,992	154,833	54,574	55,260	285,841	286,951
EBITDA	290,113	186,895	147,482	82,115	201,349	162,834

6. Liquidity and Distribution of Sources of Financing

6.1 The following is a concise summary of the cash flows (in NIS thousands):

	For the nine months on September 30		For the three months ended on September 30		For the year ended on 31 December
	in NIS thousands		in NIS thousands		in NIS thousands
	2021	2020	2021	2020	2020
Cash flows generated (absorbed) by					
Regular activity	(21,832)	175,883	77,707	83,247	294,695
Investment activity	75,980	368,827	6,305	427,126	260,931
Financing	(11,565)	(477,210)	(74,350)	(365,946)	(526,733)
Exchange differences on cash balances	710	236	89	338	143
Total cash increase	43,293	67,736	9,751	144,765	29,036

6.2 Cash flows from regular operations

Net cash used in regular operations amounted to approximately NIS 22,000,000 during the Reporting Period, as compared with net cash that derived from regular operations in the sum of approximately NIS 176,000,000 during the parallel period of the previous year. The decrease in cash flow from regular operations during the Reporting Period as compared with the parallel period of the previous year primarily derived from the increased scope of inventories acquired during the Reporting Period in the sum of approximately NIS 165,000,000 compared to a parallel increase in the previous year in the sum of approximately NIS 10,000,000, primarily as a result of increased sales; the uncertainty prevailing around the world in (primarily) maritime shipping; and the deconsolidation of Golan Telecom's results during the previous year, starting August 2020, which had contributed to net cash derived from regular operations the previous year in the sum of approximately 70,000,000. The first-time consolidation of the acquired companies' financial results contributed approximately NIS 51,000,000 to net cash used for regular operations during the Reporting Period.

Net cash that derived from regular operations amounted to approximately NIS 78,000,000 during the third quarter of 2021, as compared with net cash that derived from regular operations in the sum of approximately NIS 83,000,000 in the previous year. Consolidation of the results of the acquired companies that were consolidated for the first time contributed approximately NIS 89,000,000 to net cash used in regular operations during the Reporting Period.

6.3 Cash flows generated by investment activity

Net cash that derived from investment activity amounted to approximately NIS 76,000,000 in the Reporting Period, as compared with net cash of approximately NIS 369,000,000 that derived from investment activity in the parallel period of the previous year. The cash that derived from investment activity primarily derived from the proceeds from the redemption of a short-term deposit, the net consideration from the disposal of marketable securities, and from consideration on account of the disposal of investment property, which was set off in part primarily by investment in fixed assets and investment in development levies in land in Ashkelon. During the parallel period last year, cash from investment activities primarily derived from the disposal of an investment in Golan Telecom during August 2020 and was partially offset by investment in other fixed assets and investment in marketable securities.

Net cash that was generated by investment activity amounted to approximately NIS 6,000,000 in the third quarter of 2021, as compared with net cash that derived from investment activity of approximately NIS 427,000,000 in the parallel period of the previous year. The cash flow from investment activity during the Reporting Period primarily derived from the proceeds on account of the disposal of investment property, which was set off in part primarily by investment in fixed and other assets. Net cash arising from investment activities last year derived primarily from the disposal of an investment in Golan Telecom in August 2020. The first-time consolidation of Bitan Wines financial results contributed approximately NIS 6,000,000 to the net cash used in investment activities during the third quarter of this year.

6.4 Cash flows generated by financing activity

The net cash that was absorbed by financing activity amounted to approximately NIS 12,000,000 in the Reporting Period, as compared with net cash that was absorbed by financing activity of approximately NIS 477,000,000 in the parallel period of the previous year. The net cash that was absorbed by financing activity in the Reporting Period was primarily used for payment of a dividend to shareholders in the sum of NIS 40,000,000, repayment of bank and other loans in the sum of approximately NIS 284,000,000, repayment of short-term credit in the sum of approximately NIS 124,000,000, and payment of lease liabilities in the sum of NIS 73,000,000 and was partially offset by the receipt of long-term bank loans in the sum of NIS 510,000,000. During the parallel period of the previous year, cash from financing activity was primarily used for payment of dividends to shareholders in the sum of NIS 360,000,000, payment of dividends to noncontrolling interests in the sum of NIS 21,000,000, repayment of bank and other loans in the sum of approximately NIS 43,000,000, repayment of short-term credit in the sum of approximately NIS 46,000,000, payment of lease liabilities in the sum of NIS 33,000,000, and the buyback of Company shares in the sum of approximately 10,000,000. It was partially offset by an issuance of equity in a consolidated company to a holder of noncontrolling interests in the sum of approximately NIS 32,000,000 and the receipt of a loan from the holder of noncontrolling interests in the sum of approximately NIS 14,000,000. The first-time consolidation of Bitan Wines', Office Duty's, and Saar Enterprises' financial results contributed the sums of approximately NIS 182,000,000, approximately NIS 13,000,000, and approximately NIS 4,000,000, respectively, to net cash that was absorbed by financing activities during the Reporting Period.

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The net cash that was absorbed by financing activity amounted to approximately NIS 74,000,000 in the third quarter of 2021, as compared with net cash that was absorbed by financing activity of approximately NIS 366,000,000 in the parallel period of the previous year. The net cash that was absorbed by financing activity in the third quarter of 2021 was used primarily for repayment of bank and other loans in the sum of approximately NIS 168,000,000, repayment of short-term credit extended by banks in the sum of approximately NIS 39,000,000, and payment of lease liabilities in the sum of NIS 38,000,000. It was partially offset by long-term loans obtained from banks in the sum of NIS 170,000,000. The net cash that was used for financing activities during the third quarter of the previous year was used primarily for payment of dividends to shareholders in the sum of NIS 330,000,000, repayment of short-term bank credit in the sum of approximately NIS 51,000,000, and payment of lease liabilities in the sum of NIS 9,000,000. It was set off in part primarily by the proceeds from issuance of equity in a consolidated company to a holder of noncontrolling interests in the sum of approximately NIS 32,000,000.

7. Pro-forma Results of Business Operations

7.1. General

Below are data from the Pro-Forma Interim Consolidated Financial Statements for the nine- and three-month periods ended on 30 September 2021 and the year ended on 31 December 2020 (jointly, the “**Pro-Forma Periods**”) pursuant to Article 38B to the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the “**Pro-Forma Reports**”).

The Pro-Forma Reports were prepared in order to reflect, in the Company’s financial statements as at 1 January 2019 (the date of the pro-forma consolidation), the consolidation of Bitan Wines Ltd. (Bitan Wines) because of its acquisition by the Company on 27 May 2021, according to the assumptions set forth in Note 4 to the Pro-Forma Interim Consolidated Financial Statements for 30 September 2021. These explanations should be reviewed in conjunction with the Pro-Forma Interim Consolidated Financial Statements attached to this statement.

It is clarified that the Pro-Forma Reports do not reflect the Company’s actual results but rather were prepared in order to provide additional information on the basis of various assumptions, including the assumption that the Company made its investment in Bitan Wines on 1 January 2019. Pursuant to these assumptions, the Company included in the Pro-Forma Reports, *inter alia*, the financial results for Bitan Wines at full value. The Pro-Former Reports took into account, *inter alia*, reductions for surplus costs that were created by the acquisition of Bitan Wines on the basis of a provisional allocation made by an independent outside valuator who determined the allocation of the consideration that was paid for Bitan Wines’ assets and liabilities.

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7.2 Data from the Pro-Forma Interim Consolidated Financial Statements (in NIS thousands):

	For the nine months ended on		For the three months ended on		For the year
	30 September		30 September		ended
	2021	2020	2021	2020	on
	(Unaudited)				31 December
	NIS Thousands				2020
	Audited				
Revenues from sales and provision of services	4,400,131	4,649,131	1,551,257	1,646,097	6,166,899
Cost of sales and provision of services	3,144,958	3,402,006	1,107,314	1,203,312	4,512,961
Gross profit	1,255,173	1,247,125	443,943	442,785	1,653,938
Sales and marketing expenses	(938,418)	(989,850)	(335,912)	(339,799)	(1,320,566)
Administrative and general expenses	(78,514)	(74,879)	(28,943)	(31,604)	(110,081)
Research and development expenses	(5,716)	(5,402)	(1,828)	(1,545)	(7,244)
Other income (expenses), net	53,775	81,417	(2,897)	63,333	101,044
Operating profit	286,300	258,411	74,363	133,170	317,091
Financing income	6,525	10,475	199	3,360	3,651
Financing expenses	(88,378)	(168,728)	(30,673)	(96,324)	(135,153)
Income before taxes on income	204,447	100,158	43,889	40,206	185,589
Tax benefit (taxes on income)	(13,864)	(52,795)	12,760	(14,254)	(53,161)
Net income from continuing operations	190,583	47,363	56,649	25,952	132,428
Net income from discontinued operations	-	201,259	-	177,732	201,259
Net earnings	190,583	248,622	56,649	203,684	333,687

7.3 Analysis of the pro-forma business results for the nine-month period ended on 30 September 2021 compared to the previous period last year:

7.3.1. Revenues

The Group's pro-forma revenues amounted to approximately NIS 4,400,000,000 in the nine-month period ended 30 September 2021, as compared with approximately NIS 4,649,000,000 in the parallel period of the previous year, a decrease of approximately 5.35%. The decrease in sales turnover primarily derived from the retail food segment, primarily as the result of the sale and closure of branches during the second quarter of the previous year, which was partially offset by an increase in revenues in the electrical retail segment and an increase in revenues in the electrical consumer products segment.

7.3.2. Gross profit

The pro-forma gross profit rate in the Reporting Period stood at approximately 28.5% of the sales turnover, as compared with approximately 26.8% in the parallel period of the previous year. The pro-forma gross profit in the Reporting Period amounted to approximately NIS 1,255,000,000, as compared with approximately NIS 1,247,000,000 in the parallel period of the previous year, an increase of approximately 0.65%. The retail food segment contributed approximately NIS 707,000,000 to gross profit, compared to a contribution of NIS 791,000,000 in the previous year, a decrease that derived – as noted – from the sale and closing of branches last year. The electrical consumer products segment contributed the sum of

approximately NIS 226,000,000 to gross profit, and the electrical retail segment contributed the sum of approximately NIS 299,000,000.

7.3.3. Sales and marketing expenses

Pro-forma sales and marketing expenses amounted to approximately NIS 938,000,000 (21.3% of sales turnover) in the Reporting Period, as compared with approximately NIS 990,000,000 (21.3% of sales turnover) in the parallel period of the previous year. The decrease in pro-forma sales and marketing expenses primarily derived from the retail food segment as a result of the closing and sale of branches in the second quarter and was partially offset by an increase that primarily derived from the electrical retail segment, primarily from an increase in salary expenses as a result of an increase in revenue turnover and profitability as well as the opening of new branches compared to a decrease in rent, employee salaries, and municipal property taxes, which had resulted during the second quarter last year as a result of the effects of the Covid pandemic (closed branches and furloughed employees).

7.3.4. Administrative and general expenses

Pro-forma administrative and general expenses in the Reporting Period amounted to approximately NIS 79,000,000 (1.8% of sales turnover), as compared with approximately NIS 75,000,000 in the parallel period of the previous year (1.6% of sales turnover). The retail food segment contributed approximately NIS 48,000,000 to pro-forma management and general expenses during the Reporting Period, compared to approximately NIS 49,000,000 in the previous year.

7.3.5. Research and development expenses

Research and development expenses amounted to approximately NIS 5,700,000 in the Reporting Period, as compared with approximately NIS 5,400,000 in the previous year.

7.3.6. Other income, net

Pro-forma other income, net amounted to approximately NIS 54,000,000 in the Reporting Period, as compared with pro-forma other income, net of approximately NIS 81,000,000 in the parallel period of the previous year. The primary revenues during the Reporting Period derived from revenues in respect of the revaluation of investment property in Rishon Le'Zion in the sum of approximately NIS 51,000,000 following the sale of half of the land to the Reality Fund. Most of the pro-forma other income, net last year derived from the retail food segment primarily, from the sale of branches.

7.3.7. Operating profit

Pro-forma operating profit amounted to approximately NIS 286,000,000 in the Reporting Period, as compared with operating profit of approximately NIS 258,000,000 in the parallel period of the previous year, an increase of approximately 11%.

7.3.8. Financing expenses, net

Pro-forma financing expenses, net amounted to approximately NIS 82,000,000 in the Reporting Period, as compared with pro-forma financing expenses, net of approximately NIS 158,000,000 in the parallel period of the previous year. The retail food segment contributed the sum of

approximately NIS 79,000,000 to financing expenses, net in the Reporting Period, as compared with financing expenses, net of approximately NIS 157,000,000 in the previous year. The decrease in pro-forma financing expenses, net in the retail food segment primarily derived from a decrease in financing expenses in respect of these liabilities in light of the sale and closing of branches during the course of 2020.

7.3.9. Profit before taxes on income

Pro-forma profit before taxes amounted to approximately NIS 204,000,000 in the Reporting Period, as compared with pro-forma profit before taxes of approximately NIS 100,000,000 in the parallel period of the previous year.

7.3.10. Taxes on income

Pro-forma expenses on taxes on income amounted to approximately NIS 14,000,000 in the Reporting Period, as compared with approximately NIS 53,000,000 in the parallel period of the previous year. The retail food segment contributed the sum of approximately NIS 25,000,000 to expenses on taxes on income, compared to tax revenues in the sum of approximately NIS 600,000 during the Reporting Period. Additionally, tax expenses during the Reporting Period included the recording of deferred tax income in the sum of approximately NIS 26,000,000 for carried over losses that derived from a merger by the Company's subsidiary, Electra Consumer Products (1951) Ltd., with its subsidiaries during the Reporting Period.

7.3.11. Net income from continuing operations

Pro-forma net income from continuing operations amounted to approximately NIS 191,000,000 in the Reporting Period, as compared with approximately NIS 47,000,000 in the parallel period of the previous year.

7.3.12. Net income from discontinued operations

Net profit from discontinued operations last year came to the sum of approximately NIS 201,000,000 and derived from Golan Telecom, which was sold during the third quarter of last year.

7.3.13 Net income

Pro-forma net income amounted to approximately NIS 191,000,000 in the Reporting Period, as compared with approximately NIS 249,000,000 in the parallel period of the previous year. The retail food segment contributed the sum of approximately NIS 44,000,000 to the net income line during the Reporting Period, compared to a loss in the sum of NIS 32,000,000 the previous year.

7.3.14. (EBITDA)

The pro-forma EBITDA amounted to approximately NIS 423,000,000 in the Reporting Period, as compared with approximately NIS 379,000,000 in the parallel period of the previous year, an increase of approximately 12%.

7.4 [Analysis of the pro-forma business results for the three-month period ended on 30 September 2021 compared to the previous period last year:](#)

7.4.1. [Revenues](#)

The Group's pro-forma revenues amounted to approximately NIS 1,551,000,000 in the third quarter of 2021, as compared with approximately NIS 1,646,000,000 in the parallel period of the previous year, a decrease of approximately 5.8%. The decrease in sales turnover primarily derived from the retail food segment, primarily as the result of the sale and closure of branches during the course of the second quarter of the previous year as well as a decrease in revenues in the electrical consumer products segment as a result of the sale of the French indirect subsidiary that was engaged in the air conditioners industry overseas, which was partially offset by an increase in the sales turnover in the electrical retail segment because of the opening of new branches.

7.4.2. [Gross profit](#)

The pro-forma gross profit rate in the third quarter of 2021 stood at approximately 28.6% of the sales turnover, as compared with approximately 26.9% during the parallel period of the previous year. The gross profit in the third quarter of 2021 amounted to approximately NIS 444,000,000, as compared with approximately NIS 443,000,000 in the parallel period of the previous year. The retail food segment contributed approximately NIS 243,000,000 to gross profit, compared to a contribution of NIS 258,000,000 in the previous year, a decrease that derived – as noted – from the sale and closing of branches during the course of the second quarter of last year. The increase in the amount of gross profit derived from an increase in the amount of gross profit in the retail food segment - primarily from the closing of the Eyal logistical centre last year and the composition of branches (the sale and closing of branches last year, primarily discount branches) - and an increase in the amount of gross profit in the electrical retail segment.

7.4.3. [Sales and marketing expenses](#)

Pro-forma sales and marketing expenses amounted to approximately NIS 336,000,000 (approximately 21.7% of sales turnover) in the third quarter of 2021, as compared with approximately NIS 340,000,000 (approximately 20.6% of sales turnover) in the parallel period of the previous year. The decrease in pro-forma sales and marketing expenses derived primarily from the retail food segment as a result of the closure and sale of branches last year and was set off in part primarily from growth in the electrical retail segment expenses in salary and credit card fee lines resulting from an increase in revenue turnover and increased maintenance expenses deriving from the opening of new branches.

7.4.4. Administrative and general expenses

Pro-forma administrative and general expenses amounted to approximately NIS 29,000,000 (approximately 1.9% of sales turnover) in the third quarter of 2021, as compared to approximately NIS 32,000,000 (approximately 1.9% of sales turnover) in the parallel period of the previous year. The retail food segment contributed approximately NIS 19,000,000 to pro-forma management and general expenses during the third quarter of 2021, compared to a contribution of approximately NIS 22,000,000 in the previous year.

7.4.5. Research and development expenses

Research and development expenses amounted to approximately NIS 1,800,000 in the third quarter of 2021, as compared with approximately NIS 1,500,000 in the parallel period of the previous year.

7.4.6. Other income (expenses), net

Pro-forma other expenses, net amounted to approximately NIS 3,000,000 in the third quarter of 2021, as compared with pro-forma other income, net of approximately NIS 63,000,000 in the parallel period of the previous year. Revenues during the parallel period last year primarily included gain on the disposal of fixed assets from branches that were closed offset by a decrease in the goodwill value in respect of branches that were closed that derived from the retail food segment.

7.4.7. Operating profit

Pro-forma net profit amounted to approximately NIS 74,100,000 in the third quarter of 2021, as compared with approximately NIS 133,200,000 in the parallel period of the previous year.

7.4.8. Financing income (expenses), net

Pro-forma financing expenses, net amounted to approximately NIS 30,000,000 in the third quarter of 2021, as compared with financing expenses, net of approximately NIS 93,000,000 in the parallel period of the previous year. The decrease in pro-forma financing expenses, net in the retail food segment primarily derived from the recording last year of financing expenses in respect of liabilities to banks as well as a decrease in financing expenses in respect of lease liabilities in light of the sale and closing of branches during the course of 2020.

7.4.9. Profit before taxes on income

Pro-forma profit before taxes amounted to approximately NIS 44,000,000 in the third quarter of 2021, as compared with profit before taxes on income of approximately NIS 40,000,000 in the previous year.

7.4.10. Tax benefit (taxes on income)

Tax revenues on pro-forma revenues amounted to the sum of approximately NIS 13,000,000 during the third quarter of 2021 and derived from the recording of deferred tax revenues in the sum of approximately NIS 26,000,000 for carried over losses that derived from a merger of the Company's subsidiary, Electra Consumer Products (1951) Ltd., with its subsidiaries, which were offset by regular tax expenses during the quarter, compared to tax expenses in the sum of approximately NIS 14,000,000 in the previous year.

7.4.11 Net profit from continuing operations

Pro-forma net income from continuing operations amounted to approximately NIS 57,000,000 in the third quarter of 2021, as compared with pro-forma net income from continuing operations of approximately NIS 26,000,000 in the parallel period of the previous year, **an increase of approximately 118%**.

7.4.12. Net income from discontinued operations

Net profit from discontinued operations came to the sum of approximately NIS 178,000,000 last year and derived from Golan Telecom, which was sold during the third quarter of last year.

7.4.13 Net profit

Pro-forma net profit amounted to approximately NIS 57,000,000 in the third quarter of 2021, as compared with approximately NIS 204,000,000 in the parallel period. The retail food segment contributed the sum of approximately NIS 7,000,000 to the pro-forma net income line during the third quarter of 2021, compared to a loss in the sum of NIS 16,000,000 in the previous year.

7.4.14. (EBITDA)

The pro-forma EBITDA amounted to approximately NIS 150,000,000 in the third quarter of 2021, as compared with approximately NIS 135,000,000 in the parallel period of the previous year, an increase of approximately 11%.

8. [Report on Linkage Bases](#)

See the attached **Appendix B**.

9. [Corporate Governance](#)

See Note 9A to the Interim Consolidated Financial Statements for 30 September 2021 for details regarding the buyback of shares in the Company.

On 13 May 2021, Ms. Miryam Sophie Guez stopped serving as an external director in the Company. On 30 June 2021, the general meeting approved the appointment of Mr. Gadi Lesin as an external director in the Company for an initial period of three years commencing on 30 June 2021. For details about Mr. Gadi Lesin, see the Company's immediate report dated 1 July 2021 (reference number: 2021-01-046726), which is included in this statement by way of reference.

10. [Rating](#)

In August 2021, Standard & Poor's Maalot notified the Company of its new rating (iIAA-/stable), and it determined that the rating forecast is stable. For details, see the Company's immediate report dated 24 August 2021 (reference number: 2021-01-070318), which is included in this statement by way of reference.

11. [Report on the Liabilities Position of the Company and the Consolidated Companies](#)

Data on the Company's liabilities position as at 30 September 2021 are included in this report by way of reference to such data in the Company's immediate report on the Company's liabilities position by repayment dates, which the Company published in tandem with this report.

12. [Disclosure Regarding Critical Accounting Estimates](#)

See the Board of Directors' Report for 31 December 2020.

13. [Events After the Balance Sheet Date](#)

For details about events after the balance sheet date, see Note 9 to the Interim Consolidated Financial Statements.

[Appendix A: Update to the Company's Periodic Report for 2020¹](#)

The "Other" Activities Sector

The "other" accounting segment primarily includes operations in the field of camping, sports, and leisure.² For financial information regarding the "other" sector, see Note 8 to the Company's financial statements for 30 September 2021. As at 30 September 2021, the Company's operations in this field of activities have not yet yielded the Company material revenues.

Below are a description and details in connection with the Company's activities in the field of camping, sports, and leisure, which is included in the "other" sector.

1. General

- 1.1 In June 2021, the Company, by means of a wholly owned subsidiary, Electra Consumer Products (1951) Ltd. ("**ECP 1951**"), closed an allocation and investment deal with Saar A.T. Enterprises & Trading Ltd ("**Saar Enterprises**") as well as with the founders of Saar Enterprises such that after the deal was closed, ECP 1951 became holder of 50.01% of Saar Enterprises' issued and paid-up capital with the founders remaining the holders of the balance of its shares. For additional details about this transaction, see Note 4B **to the Company's financial statements for 30 September 2021**.

Saar Enterprises was established in 1994 by Messrs. Tomer Ben-Senior and Aviad Tzabari, who as of the date of this statement, serve as its co-CEOs. Saar Enterprises is engaged in the import, marketing, and distribution of equipment and clothing for travellers, camping, skiing and snowboarding, outdoor sports, and leisure. Saar Enterprises operates three retail chains spread out across the country and is the exclusive importer of dozens of leading outdoors and leisure brands, including "Columbia" ("**Columbia**") - for which Saar Enterprises is the exclusive franchisee in Israel, the Palestinian Authority, and the Gaza Strip - as well as "Aztec." Additionally, Saar Enterprises maintains wholesale operations through which it sells its products to private stores and select chains around Israel and also operates in the institutional market as a supplier to the military and defence sectors as well as leading companies in the market.

- 1.2 The three retail chains operated by Saar Enterprises are, as of the statement date, as follows: "**Columbia**" – a chain that has 17 branches that sells **Columbia** brand products; "**Outsiders**" – a chain that has eight branches and sells Lifestyle products alongside professional traveller products; and "**Shvilim**" – a chain of nine Land of Israel travel stores that sells immediate solutions in the field of equipment, clothing, footwear, and accessories for travellers at affordable prices. As of the date of this statement, Saar Enterprises employs approximately 240 workers.

¹ Published on 25 February 2021, reference number 2021-01-023869 (the "**Company's 2020 Periodic Report**").

² The remaining activities included under the "other" segment are negligible to the Company.

- 1.3 In addition to physical branches, Saar Enterprises operates two e-commerce sites: one for selling Columbia brand products and the other for selling Outsiders brand products.

2. General Information About the Field of Activities and the Structure of the Field of Activities as well as Changes Thereto

In the last decade, a number of trends that lead to market growth have emerged: (A) sustainability – the outdoor market has for years led the use of technologies that reduce harm to the environment; (B) fashion – the outdoors sector has trickled into the fashion world and into daily use as casual wear; (C) nature – outdoor and nature tours have significantly increased during the Covid pandemic; (D) technology – outdoor fashion has conquered the clothing industry thanks to the products' technology. The "Columbia" brand has a clear advantage and leads this growth trend; (E) disposable income and awareness of a healthy lifestyle have increased, pushing people to enrich their free time with activities outside the home; (F) demand for group tours and sports such as the Israel Trail has increased; (G) low-cost airlines – the accessibility of overseas vacations, skiing, and snowboarding along with the open skies policy have led to increased sales of professional travel clothes; (H) investments have been made in building brand identity as a means of distinction from other chains, primarily through advertising and maintaining an extensive customer club; and (I) the buying experience has been cultivated primarily, by store design.

3. Critical Success Factors in the Field of Activities

A number of critical success factors that affect its operations and status are discernible in Saar Enterprises' field of activities, including: a broad spectrum of high-quality products in various styles and price points geared toward different target audiences and market segments that provide a fashion solution for the local climate in keeping with international fashion trends; attractive store locations throughout the country; the creation of a customer buying experience, including through advanced store design; consumer trends and a preference for sport activities; marketing abilities and in-depth understanding of customer needs; the ability to purchase from a broad and varied number of suppliers under competitive trade conditions; financial stability; and a high level of availability in supplying products and rapid response to customer demand.

4. Primary Entry and Exit Barriers in the Field of Activities

The primary entry and exit barriers in Saar Enterprises' field of activities are substantially similar to the barriers that characterise the Group's retail activities. For details, see Section 8.2.5 to Part A to the Company's periodic report for 2020.

5. Products and Services

The products sold by Saar Enterprises can be classified into a number of categories: the three retail chains operated by Saar Enterprises (Columbia, Outsiders, and Shvilim) through which it markets its products; sport footwear, clothing, and fashion products, divided into products for women, men, and children; and dedicated products for the sporting, travel equipment, camping, and leisure industries. All of the products are from leading international sports and camping brands around the world, such as "Columbia," eco brands such as Picture Organic, Camelback, and Veldskoen, lifestyle brands such as Duer, Topo Designs, and FitKicks, as well as private brands – Aztec and Dune.

All of the products marketed by Saar Enterprises are imported from suppliers overseas, including the brand owners or the holders of manufacturing licences granted by the brand owners.

6. Customers

Most of Saar Enterprises customers are random customers who purchase at the chain stores that it operates and/or through its e-commerce sites. The remaining customers are institutional customers who purchase through arrangements - signed between Saar Enterprises and institutional entities, such as the Israel Police, the Israel Prison Service, and the Ministry of Defence, by winning tenders - as well as through purchase coupons and prepaid cards. Additionally, private stores and select chains are also customers of Saar Enterprises and purchase its products wholesale. The credit terms that are given to institutional customers and/or wholesale customers are as are common in the industry.

7. Marketing and Distribution

Saar Enterprises markets its products through direct sales to the end customer in stores in Israel through its three retail chains - Columbia, Outsiders, and Shvilim - as well as through online sale sites based on Internet platforms as described above. Saar Enterprises operates two e-commerce websites: One is the Columbia brand online store, and the other is the Outsiders brand chain's online store.

Approximately 20% of the stores are operated through operational franchisees, and the remaining points of sale are operated by Saar Enterprises directly. The franchisee is responsible for establishing the store and bearing the cost of its establishment as well as its regular operation and management of its employees. Saar Enterprises holds the rights to directly receive the store's revenues (the "Till") as well as the rights to the store's inventory. In consideration of the franchisee's operations, it is entitled to a commission derived from the sales made by the relevant store. The franchise period is for the entire lease term pursuant to the lease contract for the relevant store.

Additionally, Saar Enterprises sells its products wholesale to private stores and select chains around Israel. Alongside this, Saar Enterprises is also the supplier to the military and defence forces and leading companies in the market thanks to the high perceived value of Columbia brand products.

8. Restrictions, Statutes, Standards, and Special Constraints That Apply to the Field of Activities

The restrictions, statutes, standards, and constraints that apply to Saar Enterprises' operations are substantially similar to those applicable to the Group's retail operations. For details, see Section 17 to Part A to the Company's periodic report for 2020.

9. Competition

There are many entities in Israel that sell and market local products and/or imported products in this field of activity that compete with Saar Enterprises' products, including local and international chains as well as private local stores. Additionally, there are stores that operate in this field of activity that include sportswear and sports equipment departments. In recent years, there has been an ongoing trend in Israel of increasing competition in retail sales, including in the camping, sports, and leisure sector.

Saar Enterprises is working to preserve the advantage that is held by the chains that it operates by reinforcing the buying experience and offering competitive pricing. Similarly, its products are directed at different target audiences and market sectors in order to address the needs of the Israeli consumer in the fields of clothing, footwear, and extreme sports while creating value that combines various styles and price levels. Saar Enterprises is working to provide a mix of products and a buying experience that will furnish a fashion solution targeted to the local climate in keeping with international fashion trends.

10. Fixed Assets, Land, and Facilities

Saar Enterprises's headquarters is located in Airport City. Saar Enterprises operates through branches that it rents throughout the country. Saar Enterprises rents these branches from various landlords. The rental agreements, for the most part, taking into account the options to extend, are for the medium-long-term. The renewal dates in these agreements are spread over the course of a number of years, and therefore, changes in the lease terms in the market have an incremental impact on the Group's expenses for rentals. Saar Enterprises has the option to extend the rental agreements for additional periods with respect to most of the branches. The rental terms for each branch are determined as part of the negotiations with the landlord where the rental fees are determined as a percentage of the store revenues or as fixed rental fees (linked to the consumer price index).

11. Intangible Assets

As of the date of this statement, there are two trademarks registered in Saar Enterprises' name with respect to the private brands Aztec and Dune. Similarly, Saar Enterprises has the rights to use the trademarks for the international brands that it represents for advertising and marketing and for displaying them in stores.

12. Suppliers

Saar Enterprises acquires most of the products that it sells through dozens of suppliers, primarily in the far east, Asia, and the US, where its primary supplier is the Columbia brand products supplier. As a rule, these suppliers provide Saar Enterprises with finished products in whose planning and design Saar Enterprises is not involved (other than products that are customised to Saar Enterprises' demands and the local market). Orders are placed each season according to the terms agreed upon between the parties.

Additionally, Saar Enterprises purchases products from approximately 10 manufacturers, primarily in the People's Republic of China, who manufacture products for Saar Enterprises' private brand according to its planning and/or design requirements.

Saar Enterprises' operations are in accordance with its franchise agreements with the owners of the international brands, and in this framework, Saar Enterprises is exposed to their business condition.

13. Goals and Business Strategy and Expectation of Development in the Coming Year

Currently, Saar Enterprises is in the midst of strategic review and preparation for the coming years.

**The Board of Directors' Report on the State of the Corporation's Affairs
For the Period Ended on 30 September 2021**

Appendix B – Linkage Bases Report for 30 September 2021 (in NIS thousands):

	Dollars	Euro	Total foreign currency	Unlinked	Linked	Non- mo net ary	Total
<u>Assets</u>							
Cash and cash equivalents	43,775	25,467	69,242	289,772	-	-	359,014
Short-term investments	-	-	-	9,100	2,326	-	11,426
Trade receivables	802	7,216	8,018	585,698	-	-	593,716
Other receivables	7,809	11,593	19,402	18,552	11,911	14,611	64,476
Inventory	-	-	-	-	-	786,908	786,908
Long-term other receivables	-	2,258	2,258	15,130	10,407	3,373	31,168
Investment property	-	-	-	-	-	269,700	269,700
Fixed assets, net	-	-	-	-	-	190,588	190,588
Right of use assets, land	-	-	-	-	-	56,331	56,331
Right of use assets, other	-	-	-	-	-	1,556,796	1,556,796
Goodwill	-	-	-	-	-	1,885,132	1,885,132
Intangible assets	-	-	-	-	-	95,720	95,720
Deferred taxes	-	-	-	-	-	13,019	13,019
Total assets	52,386	46,534	98,920	918,252	24,644	4,872,178	5,913,994
<u>Liabilities</u>							
Credit from banking corporations and others	-	-	-	19,799	-	-	19,799
Current maturities of leasing liabilities	-	-	-	-	188,525	-	188,525
Trade payables	108,309	53,592	161,901	1,331,079	-	-	1,492,980
Other payables	975	123	1,098	482,940	-	197,203	681,241
Dividend payables	-	-	-	30,000	-	-	30,000
Loans from banking corporations	-	-	-	506,444	-	-	506,444
Loans from others	-	-	-	39,000	-	-	39,000
Leasing liabilities	-	-	-	-	1,571,258	-	1,571,258
Other non-current liabilities	-	-	-	17,624	-	88,730	106,354
Employee benefit liabilities, net	-	-	-	-	-	36,677	36,677
Deferred taxes	-	-	-	-	-	18,241	18,241
Total liabilities	109,284	53,715	162,999	2,426,886	1,759,783	340,851	4,690,519
Balance of the exposure of assets (liabilities) to the results	(56,898)	(7,181)	(64,079)	(1,508,634)	(1,735,139)	4,531,327	1,223,475

**Daniel Salkind, Chairman of
the Board of Directors**

**Zvika Schwimmer,
Chief Executive
Officer**

Date: 11 November 2021

Electra Consumer Products (1970) Ltd.

Interim Consolidated Financial Statements for 30 September 2021

Unaudited

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Consolidated Statements of Financial Position

	As at 30 September		As at 31 December
	2021	2020	2020
	(Unaudited)		Audited
	NIS Thousands		
<u>Current assets</u>			
Cash and cash equivalents	359,014	354,421	315,721
Short-term investments	11,426	6,369	105,877
Trade receivables	593,716	537,604	529,913
Other receivables (including related companies)	64,476	37,990	29,763
Inventory	786,908	396,686	459,119
	<u>1,815,540</u>	<u>1,333,070</u>	<u>1,440,393</u>
<u>Non-current assets</u>			
Long-term investments	-	16,910	14,528
Trade and other receivables	31,168	4,129	4,101
Investment property	269,700	216,530	216,530
Fixed assets, net	190,588	65,671	67,052
Right of use assets, land	56,331	47,940	49,924
Right of use assets, other	1,556,796	108,235	118,640
Goodwill	1,885,132	187,317	187,317
Intangible assets	95,720	25,618	24,814
Deferred taxes	13,019	683	2,508
	<u>4,098,454</u>	<u>673,033</u>	<u>685,414</u>
	<u><u>5,913,994</u></u>	<u><u>2,006,103</u></u>	<u><u>2,125,807</u></u>

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

Consolidated Statements of Financial Position

	As at 30 September		As at 31 December
	2021	2020	2020
	(Unaudited)		Audited
NIS Thousands			
<u>Current liabilities</u>			
Credit from banking corporations and others	19,799	39,832	73,594
Current maturities of leasing liabilities	188,525	30,955	32,043
Trade payables	1,492,980	740,746	864,932
Other payables (including related companies)	681,241	229,485	339,538
Dividend payables	30,000	-	-
	<u>2,412,545</u>	<u>1,041,018</u>	<u>1,310,107</u>
<u>Non-current liabilities</u>			
Loans from banking corporations	506,444	17,500	-
Loans from banking entities to finance investment property	-	57,839	-
Loans from others	39,000	-	-
Leasing liabilities	1,571,258	87,030	99,252
Other liabilities	106,354	137,537	53,616
Employee benefit liabilities, net	36,677	16,247	17,728
Deferred taxes	18,241	26,343	21,895
	<u>2,277,974</u>	<u>342,496</u>	<u>192,491</u>
<u>Equity</u>			
Equity attributed to Company shareholders	681,801	591,535	591,224
Non-controlling interests	541,674	31,054	31,985
<u>Total equity</u>	<u>1,223,475</u>	<u>622,589</u>	<u>623,209</u>
	<u>5,913,994</u>	<u>2,006,103</u>	<u>2,125,807</u>

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

11 November 2021	Daniel Salkind	Zvika Schwimmer	Yehonatan Tsabari
Date of approval of the financial statements	Chair of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Consolidated Statements of Profit and Loss

	For the nine months ended on 30 September		For the three months ended on 30 September		For the year ended on 31 December
	2021	2020	2021	2020	2020
	(Unaudited)				Audited
	NIS Thousands				
Revenues from sales and provision of services	3,151,233	1,862,025	1,555,801	741,213	2,573,373
Cost of sales and provision of services	2,283,275	1,405,656 *)	1,110,551	556,893 *)	1,951,831
Gross profit	867,958	456,369	445,250	184,320	621,542
Sales and marketing expenses	(643,709)	(319,909)	(341,640)	(120,918)	(451,353)
Administrative and general expenses	(51,943)	(25,399)	(26,570)	(9,288)	(35,421)
Research and development expenses	(5,716)	(5,402) *)	(1,828)	(1,545) *)	(7,244)
Other income, net	42,412	3,803	870	1,302	2,842
Operating profit	209,002	109,462	76,082	53,871	130,366
Financing income	6,460	10,346	(188)	3,356	3,338
Financing expenses	(42,177)	(12,068)	(27,579)	(2,932)	(14,352)
Profit before taxes on income	173,285	107,740	48,315	54,295	119,352
Tax benefit (taxes on income)	(14,510)	(27,912)	12,760	(12,802)	(28,907)
Net income from continuing operations	158,775	79,828	61,075	41,493	90,445
Net income from discontinued operations	-	201,259	-	177,732	201,259
Net profit	158,775	281,087	61,075	219,225	291,704
<u>Net income attributable to:</u>					
Company shareholders	148,992	276,155	54,574	218,907	285,841
Non-controlling interests	9,783	4,932	6,501	318	5,863
	158,775	281,087	61,075	219,225	291,704
<u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>					
Earnings from continuing operations	6.78	3.64	2.48	1.90	4.08
Net income from discontinued operations	-	8.92	-	8.09	8.93
Net earnings	6.78	12.56	2.48	9.99	13.01
<u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>					
Earnings from continuing operations	6.66	3.60	2.44	1.87	4.03
Net income from discontinued operations	-	8.82	-	7.97	8.81
Net earnings	6.66	12.42	2.44	9.84	12.84
Weighted number of shares used in calculating base net earnings per share	21,991,066	21,978,597	21,991,066	21,923,123	21,971,893
Weighted number of shares used in calculating diluted net earnings per share	22,385,663	22,236,865	22,383,611	22,246,711	22,269,296

*) Reclassified with respect to research and development expenses.

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

Consolidated Statements of Comprehensive Income

	For the nine months ended on 30 September		For the three months ended on 30 September		For the year ended on
	2021	2020	2021	2020	31 December 2020
	(Unaudited)				Audited
	NIS Thousands				
Net earnings	158,775	281,087	61,075	219,225	291,704
Other comprehensive income (loss) (after tax):					
<u>Sums that will not later be reclassified to profit or loss:</u>					
Profit (loss) from remeasurement for defined benefit plans	-	1,194	-	-	(139)
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>					
Adjustments from translation of financial statements of foreign operations	(322)	450	89	587	80
Transfer to profit or loss from sale of foreign operations	8,357	-	792	-	-
Profit (loss) with respect to cash flow hedging transactions	3,935	18,656	352	(512)	14,929
Transfer to statement of profit and loss with respect to cash flow hedging transactions	(1,345)	(10,859)	-	(6,117)	(16,046)
Total other comprehensive profit (loss)	10,625	9,441	1,233	(6,042)	(1,176)
Total comprehensive income	169,400	290,528	62,308	213,183	290,528
<u>Total income attributable to:</u>					
Company shareholders	159,617	285,596	55,807	212,865	284,665
Non-controlling interests	9,783	4,932	6,501	318	5,863
	169,400	290,528	62,308	213,183	290,528

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders												
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity
	(Unaudited)												
	NIS Thousands												
Balance as at 1 January 2021 (audited)	73,150	430,661	(58,468)	4,362	(2,659)	(8,035)	2,680	(5,813)	(2,658)	158,004	591,224	31,985	623,209
Total comprehensive income	-	-	-	-	-	8,035	-	-	2,590	148,992	159,617	9,783	169,400
Cost of share-based payments	-	-	-	-	-	-	960	-	-	-	960	-	960
Non-controlling interests created in companies consolidated for the first time	-	-	-	-	-	-	-	-	-	-	-	499,906	499,906
Dividend declared	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
Balance as at 30 September 2021	73,150	430,661	(58,468)	4,362	(2,659)	-	3,640	(5,813)	(68)	236,996	681,801	541,674	1,223,475

	Attributable to Company shareholders												
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity
	(Unaudited)												
	NIS Thousands												
Balance as at 1 January 2020 (audited)	73,082	423,959	(48,668)	4,362	-	(8,115)	7,705	(5,819)	(1,541)	232,163	677,128	27,432	704,560
Total comprehensive income	-	-	-	-	-	450	-	1,194	7,797	276,155	285,596	4,932	290,528
Cost of share-based payments	-	-	-	-	-	-	1,270	-	-	-	1,270	525	1,795
Buyback of Company shares	-	-	(9,800)	-	-	-	-	-	-	-	(9,800)	-	(9,800)
Transfer from capital reserve for share-based payments with respect to unexercised options	-	5,835	-	-	-	-	(5,835)	-	-	-	-	-	-
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	-	(360,000)	(360,000)	-	(360,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,975)	(24,975)
Deconsolidation of consolidated company	-	-	-	-	-	-	-	-	-	-	-	(8,047)	(8,047)
Equity issuance to non-controlling interests	-	-	-	-	(2,659)	-	-	-	-	-	(2,659)	31,187	28,528
Balance as at 30 September 2020	73,082	429,794	(58,468)	4,362	(2,659)	(7,665)	3,140	(4,625)	6,256	148,318	591,535	31,054	622,589

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders												
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity
	(Unaudited)												
	NIS Thousands												
<u>Balance as at 1 July 2021</u>	73,150	430,661	(58,468)	4,362	(2,659)	(881)	3,261	(5,813)	(420)	212,422	655,615	535,173	1,190,788
Total comprehensive income	-	-	-	-	-	881	-	-	352	54,574	55,807	6,501	62,308
Cost of share-based payments	-	-	-	-	-	-	379	-	-	-	379	-	379
Dividend declared	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
<u>Balance as at 30 September 2021</u>	<u>73,150</u>	<u>430,661</u>	<u>(58,468)</u>	<u>4,362</u>	<u>(2,659)</u>	<u>-</u>	<u>3,640</u>	<u>(5,813)</u>	<u>(68)</u>	<u>236,996</u>	<u>681,801</u>	<u>541,674</u>	<u>1,223,475</u>

	Attributable to Company shareholders												
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity
	(Unaudited)												
	NIS Thousands												
<u>Balance as at 1 July 2020</u>	73,082	423,959	(58,468)	4,362	-	(8,252)	8,516	(4,625)	12,885	259,411	710,870	7,534	718,404
Total comprehensive profit (loss)	-	-	-	-	-	587	-	-	(6,629)	218,907	212,865	318	213,183
Cost of share-based payments	-	-	-	-	-	-	459	-	-	-	459	62	521
Transfer from capital reserve for share-based payments with respect to unexercised options	-	5,835	-	-	-	-	(5,835)	-	-	-	-	-	-
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	-	(330,000)	(330,000)	-	(330,000)
Deconsolidation of consolidated company	-	-	-	-	-	-	-	-	-	-	-	(8,047)	(8,047)
Equity issuance to non-controlling interests	-	-	-	-	(2,659)	-	-	-	-	-	(2,659)	31,187	28,528
<u>Balance as at 30 September 2020</u>	<u>73,082</u>	<u>429,794</u>	<u>(58,468)</u>	<u>4,362</u>	<u>(2,659)</u>	<u>(7,665)</u>	<u>3,140</u>	<u>(4,625)</u>	<u>6,256</u>	<u>148,318</u>	<u>591,535</u>	<u>31,054</u>	<u>622,589</u>

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											Non-controlling interests	Total equity
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total		
	Audited												
	NIS Thousands												
Balance as at 1 January 2020	73,082	423,959	(48,668)	4,362	-	(8,115)	7,705	(5,819)	(1,541)	232,163	677,128	27,432	704,560
Total comprehensive profit (loss)	-	-	-	-	-	80	-	(139)	(1,117)	285,841	284,665	5,863	290,528
Cost of share-based payments	-	-	-	-	-	-	1,677	-	-	-	1,677	525	2,202
Exercise of options	68	867	-	-	-	-	(867)	-	-	-	68	-	68
Buyback of Company shares	-	-	(9,800)	-	-	-	-	-	-	-	(9,800)	-	(9,800)
Transfer from capital reserve for share-based payments with respect to unexercised options	-	5,835	-	-	-	-	(5,835)	-	-	-	-	-	-
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	-	(360,000)	(360,000)	-	(360,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,975)	(24,975)
Deconsolidation of consolidated company	-	-	-	-	-	-	-	145	-	-	145	(8,047)	(7,902)
Equity issuance to non-controlling interests in a consolidated company	-	-	-	-	(2,659)	-	-	-	-	-	(2,659)	31,187	28,528
Balance as at 31 December 2020	73,150	430,661	(58,468)	4,362	(2,659)	(8,035)	2,680	(5,813)	(2,658)	158,004	591,224	31,985	623,209

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

Notes on the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended on 30 September		For the three months ended on 30 September		For the year ended on 31 December
	2021	2020	2021	2020	2020
	(Unaudited)				Audited
NIS Thousands					
Cash Flow from Current Operations					
Net profit	158,775	281,087	61,075	219,225	291,704
Adjustments required to present cash flow from current operations:					
Adjustments to profit and loss items:					
Depreciation and amortisation	123,523	79,414	72,270	21,538	98,845
Amortisation of customer acquisition costs	-	9,456	-	1,243	9,456
Impairment of intangible assets and goodwill	-	1,324	-	148	1,324
Impairment (improvement) of investment property	(51,258)	2,220	1,624	682	3,068
Cost of share-based payments	960	1,795	379	521	2,202
Other adjustments	(7,754)	(275)	(11,398)	(182)	8
Classification of translation differentials fund relating to disposal of a consolidated company	8,357	-	792	-	-
Gain on disposal of operations	(2,025)	(228,014)	-	(228,014)	(228,014)
Capital loss (gain) from disposal of fixed assets	3,433	(350)	1,290	(350)	(350)
Company's share in losses of companies treated according to balance sheet value, net	-	647	-	84	647
Deferred taxes, net	(19,912)	(31,725)	(23,529)	(4,838)	(30,688)
Change in employee benefit liabilities, net	2,059	842	1,194	348	604
	57,383	(164,666)	42,622	(208,820)	(142,898)
Changes in assets and liabilities items:					
Decrease (increase) in trade receivables (including long-term receivables)	36,804	(145,374)	(5,653)	(78,084)	(138,319)
Decrease (increase) in other receivables	19,586	5,569	17,395	10,855	(13,863)
Decrease (increase) in inventory	(164,567)	(10,066)	39,622	73,305	(72,721)
Increase (decrease) in trade payables	(111,353)	99,748	(93,292)	(85)	229,993
Increase (decrease) in other payables	(18,460)	109,585	15,938	66,851	140,799
	(237,990)	59,462	(25,990)	72,842	145,889
Net cash from (used for) ongoing operations	(21,832)	175,883	77,707	83,247	294,695

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

Notes on the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended on 30 September		For the three months ended on 30 September		For the year ended on 31 December
	2021	2020	2021	2020	2020
	(Unaudited)				Audited
	NIS Thousands				
Cash flow from investment activities					
Acquisition of fixed assets and intangible assets	(58,661)	(33,264)	(19,668)	(8,804)	(44,777)
Investment in affiliated companies, net	-	(665)	-	(153)	(665)
Payment of capitalised leasing fees and land development levies	(6,823)	(45,229)	(250)	(45,229)	(47,940)
Capitalisation of customer acquisition costs	-	(8,381)	-	(1,640)	(8,381)
Capitalisation of costs imputed to investment property	(2,018)	(1,744)	(1,635)	(227)	(2,992)
Extension of short-term loans	-	(5,000)	-	-	(5,000)
Repayment of short-term loans	-	5,000	-	-	5,000
Payment from (investment in) short-term deposits	100,149	(4,700)	-	(4,700)	(100,000)
Investment in marketable securities	(70,964)	(30,000)	-	-	(30,000)
Payment for acquisition of hedging transactions	(2,582)	(5,950)	-	(5,950)	(5,950)
Consideration on account of disposal of investment property	24,063	-	24,063	-	-
Repayment of previously consolidated company loans	1,929	7,010	1,929	7,010	7,010
Proceeds from disposal of hedging transactions	-	1,765	-	-	1,765
Proceeds from disposal of fixed assets	-	350	-	350	350
Proceeds from redemption and sale of marketable securities	81,479	4,015	1,866	849	6,891
Acquisition of companies consolidated for the first time (A)	4,941	-	-	-	-
Net proceeds from disposal of investment in previously consolidated companies (B)	4,467	485,620	-	485,620	485,620
Net cash arising from investment activities	75,980	368,827	6,305	427,126	260,931
Cash flows from financing operations					
Dividends paid to Company shareholders	(40,000)	(360,000)	-	(330,000)	(360,000)
Dividends paid to non-controlling interests	-	(20,646)	-	-	(20,646)
Issuance of share capital	-	-	-	-	68
Receipt of loans from holder of non-controlling interests	-	13,636	-	-	13,636
Acquisition of partner's share in an indirect subsidiary	-	(11,298)	-	(2,000)	(11,228)
Receipt of long-term loans from banking corporations	510,000	-	170,000	-	-
Repayment of long-term loans from banking corporations	(185,502)	(24,145)	(109,609)	(2,500)	(58,376)
Repayment of loans to others	(40,560)	(18,890)	-	(2,912)	(18,890)
Payment of liabilities to trustees for Mega	(58,000)	-	(58,000)	-	-
Buyback of Company shares	-	(9,800)	-	-	(9,800)
Issuance of equity in consolidated company to non-controlling interests	-	32,034	-	32,034	32,034
Payment of leasing liabilities	(73,463)	(32,566)	(37,602)	(9,163)	(40,923)
Short-term credit from banking corporations, net	(124,040)	(45,535)	(39,139)	(51,405)	(52,608)
Net cash used in financing activities	(11,565)	(477,210)	(74,350)	(365,946)	(526,733)
Exchange differences on cash and cash-equivalent balances	710	236	89	338	143
Increase in cash and cash equivalents	43,293	67,736	9,751	144,765	29,036
Balance of cash and cash equivalents at beginning of the period	315,721	286,685	349,263	209,656	286,685
Balance of cash and cash equivalents at end of the period	359,014	354,421	359,014	354,421	315,721

Notes on the Interim Consolidated Financial Statements

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

Consolidated Statements of Cash Flows

	For the nine months ended on		For the three months ended on		For the year
	30 September		30 September		ended on
	2021	2020	2021	2020	31 December
	(Unaudited)				2020
	NIS Thousands				Audited
(A) <u>Acquisition of companies consolidated for the first time</u>					
Consolidated companies' assets and liabilities as at date of acquisition:					
Working capital (other than cash and cash equivalents)	827,747	-	-	-	-
Long-term receivables	(16,350)	-	-	-	-
Fixed assets	(95,840)	-	-	-	-
Right of use assets	(1,394,324)	-	-	-	-
Intangible assets	(79,942)	-	-	-	-
Goodwill	(1,697,815)	-	-	-	-
Deferred tax liabilities, net	5,262	-	-	-	-
Loans from banking corporations and others and bank credit	338,776	-	-	-	-
Leasing liabilities	1,569,813	-	-	-	-
Other non-current liabilities	30,144	-	-	-	-
Employee benefit liabilities, net	17,564	-	-	-	-
Non-controlling interests	499,906	-	-	-	-
	<u>4,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(B) <u>Proceeds from disposal of investment in previously consolidated companies</u>					
Consolidated companies' assets and liabilities as at date of sale:					
Working capital (other than cash and cash equivalents)	13,298	(149,089)	-	(149,089)	(149,089)
Long-term receivables	248	-	-	-	-
Fixed assets	1,393	102,606	-	102,606	102,606
Right of use assets	-	13,532	-	13,532	13,532
Intangible assets	3,631	75,346	-	75,346	75,346
Goodwill	-	792,689	-	792,689	792,689
Deferred taxes	-	43,651	-	43,651	43,651
Credit from banking corporations and others	(2,848)	-	-	-	-
Loans from banking corporations	(5,478)	-	-	-	-
Leasing liabilities	-	(15,701)	-	(15,701)	(15,701)
Other non-current liabilities	(669)	(597,381)	-	(597,381)	(597,381)
Non-controlling interests	-	(8,047)	-	(8,047)	(8,047)
Proceeds from sale of consolidated company	2,025	228,014	-	228,014	228,014
Receivables from disposal of investment in a consolidated company	(7,133)	-	-	-	-
	<u>4,467</u>	<u>485,620</u>	<u>-</u>	<u>485,620</u>	<u>485,620</u>

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

Notes on the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended on 30 September		For the three months ended on 30 September		For the year ended on 31 December
	2021	2020	2021	2020	2020
	(Unaudited)				Audited
	NIS Thousands				
(C) Significant non-cash activities					
Acquisition of fixed assets, investment property, and intangible assets on credit	<u>5,193</u>	<u>5,310</u>	<u>5,193</u>	<u>5,310</u>	<u>2,016</u>
Dividend payables	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Revenues from changes in lease fees resulting from Covid-19 pandemic	<u>-</u>	<u>1,793</u>	<u>-</u>	<u>-</u>	<u>1,793</u>
Receivables from disposal of investment in a consolidated company	<u>7,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(D) Additional information on cash flow					
Cash paid over the course of the period for:					
Interest	<u>41,514</u>	<u>28,888</u>	<u>18,617</u>	<u>5,354</u>	<u>32,936</u>
Taxes on income	<u>33,348</u>	<u>11,782</u>	<u>13,291</u>	<u>7,337</u>	<u>34,269</u>
Cash received over the course of the period for:					
Interest	<u>1,565</u>	<u>606</u>	<u>170</u>	<u>83</u>	<u>1,041</u>
Taxes on income	<u>8,618</u>	<u>272</u>	<u>-</u>	<u>-</u>	<u>265</u>

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

Electra Consumer Products (1970) Ltd.

Pro-Forma Interim Consolidated Financial Statements

As at 30 September 2021

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Pro-Forma Consolidated Statements of Profit and Loss Electra Consumer Products (1970) Ltd.

Overview Report of the Auditing Accountant to the Shareholders of Electra Consumer Products (1970) Ltd.

Introduction

We have reviewed the attached pro-forma financial information for Electra Consumer Products (1970) Ltd. (hereinafter: the “**Company**”), which includes the pro-forma summary consolidated statements of profit and loss and pro-forma statements of comprehensive income for the nine- and three-month periods ended on 30 September 2021. The board of directors and management are responsible for the preparation and presentation of the pro-forma financial information for these interim periods pursuant to the accounting policy set forth in Note 2 and the assumptions set forth in Note 4 for the pro-forma financial information and are responsible as well for the preparation of the pro-forma financial information for these interim periods pursuant to Article 38B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the pro-forma financial information for these interim periods based on our review.

Scope of the Review

We conducted our review in accordance with (Israel) Review Standard No. 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Period Financial Information Conducted by the Entity's Auditor." Reviews of interim period financial information include making inquiries, particularly with the people responsible for financial and accounting matters and performing analytic and other review procedures. A review is significantly limited in scope in comparison to an audit conducted in accordance with generally accepted accounting standards in Israel and therefore, does not allow us to be sure that we have learned of all of the material issues that may have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that would lead us to believe that the above pro-forma financial information was not prepared, in all material respects, according to the accounting policy set forth in Note 2 and the assumptions set forth in Note 4 for the pro-forma financial information.

In addition to the contents of the preceding paragraph, based on our review, nothing has come to our attention that would lead us to believe that the above pro-forma financial information does not fulfil, in all material respects, the provisions of Article 38B to the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Respectfully,

Tel Aviv,
11 November 2021

Kost Forer Gabbay and
Kasirer
Accountants

Pro-Forma Consolidated Statements of Comprehensive Income Electra Consumer Products (1970) Ltd.

	For the nine months ended on 30 September		For the three months ended on 30 September		For the year ended on 31 December
	2021	2020	2021	2020	2020
	(Unaudited)				Audited
NIS Thousands					
Revenues from sales and provision of services	4,400,131	4,649,131	1,551,257	1,646,097	6,166,899
Cost of sales and provision of services	3,144,958	3,402,006	1,107,314	1,203,312	4,512,961
Gross profit	1,255,173	1,247,125	443,943	442,785	1,653,938
Sales and marketing expenses	(938,418)	(989,850)	(335,912)	(339,799)	(1,320,566)
Administrative and general expenses	(78,514)	(74,879)	(28,943)	(31,604)	(110,081)
Research and development expenses	(5,716)	(5,402)	(1,828)	(1,545)	(7,244)
Other income (expenses), net	53,775	81,417	(2,897)	63,333	101,044
Operating profit	286,300	258,411	74,363	133,170	317,091
Financing income	6,525	10,475	199	3,360	3,651
Financing expenses	(88,378)	(168,728)	(30,673)	(96,324)	(135,153)
Profit before taxes on income	204,447	100,158	43,889	40,206	185,589
Tax benefit (taxes on income)	(13,864)	(52,795)	12,760	(14,254)	(53,161)
Net income from continuing operations	190,583	47,363	56,649	25,952	132,428
Net income from discontinued operations	-	201,259	-	177,732	201,259
Net profit	190,583	248,622	56,649	203,684	333,687
<u>Net income (loss) attributable to:</u>					
Company shareholders	158,323	264,545	49,584	213,350	300,854
Non-controlling interests	32,260	(15,923)	7,065	(9,666)	32,833
	190,583	248,622	56,649	203,684	333,687
<u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>					
Earnings from continuing operations	7.20	3.11	2.25	1.65	4.76
Net income from discontinued operations	-	8.92	-	8.09	8.93
Net earnings	7.20	12.03	2.25	9.74	13.69
<u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>					
Earnings from continuing operations	7.07	3.07	2.21	1.62	4.70
Net income from discontinued operations	-	8.82	-	7.97	8.81
Net earnings	7.07	11.89	2.21	9.59	13.51
Weighted number of shares used in calculating base net earnings per share	21,991,066	21,978,597	21,991,066	21,923,123	21,971,893
Weighted number of shares used in calculating diluted net earnings per share	22,385,663	22,236,865	22,383,611	22,246,711	22,269,296

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

11 November 2021

Date of approval of the financial
statements

Daniel Salkind

Chair of the Board of
Directors

Zvika Schwimmer

Chief Executive
Officer

Yehonatan Tsabari

Chief Financial Officer

Pro-Forma Consolidated Statements of Profit and Loss Electra Consumer Products (1970) Ltd.

	For the nine months ended on 30 September 2021		
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Revenues from sales and provision of services	3,151,233	1,248,898	4,400,131
Cost of sales and provision of services	2,283,275	861,683	3,144,958
Gross profit	867,958	387,215	1,255,173
Sales and marketing expenses	(643,709)	(294,709)	(938,418)
Administrative and general expenses	(51,943)	(26,571)	(78,514)
Research and development expenses	(5,716)	-	(5,716)
Other income, net	42,412	11,363	53,775
Operating profit	209,002	77,298	286,300
Financing income	6,460	65	6,525
Financing expenses	(42,177)	(46,201)	(88,378)
Income before taxes on income	173,285	31,162	204,447
Tax benefit (taxes on income)	(14,510)	646	(13,864)
Net earnings	158,775	31,808	190,583
<u>Net income attributable to:</u>			
Company shareholders	148,992	9,331	158,323
Non-controlling interests	9,783	22,477	32,260
	158,775	31,808	190,583
<u>Net earnings per share attributed to Company shareholders (in NIS)</u>			
Base net earnings per share	6.78	0.42	7.20
Diluted net profit per share	6.66	0.41	7.07
Weighted number of shares used in calculating base earnings per share	21,991,066	-	21,991,066
Weighted number of shares used in calculating diluted earnings per share	22,385,663	-	22,385,663

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Pro-Forma Consolidated Statements of Profit and Loss Electra Consumer Products (1970) Ltd.

	For the nine months ended on		
	30 September 2020		
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Revenues from sales and provision of services	1,862,025	2,787,106	4,649,131
Cost of sales and provision of services	1,405,656	1,996,350	3,402,006
Gross profit	456,369	790,756	1,247,125
Sales and marketing expenses	(319,909)	(669,941)	(989,850)
Administrative and general expenses	(25,399)	(49,480)	(74,879)
Research and development expenses	(5,402)	-	(5,402)
Other income, net	3,803	77,614	81,417
Operating profit	109,462	148,949	258,411
Financing income	10,346	129	10,475
Financing expenses	(12,068)	(156,660)	(168,728)
Profit (loss) before taxes on income	107,740	(7,582)	100,158
Taxes on income	(27,912)	(24,883)	(52,795)
Net income (loss) from continuing operations	79,828	(32,465)	47,363
Net income from discontinued operations	201,259	-	201,259
Net profit (loss)	<u>281,087</u>	<u>(32,465)</u>	<u>248,622</u>
<u>Net income (loss) attributable to:</u>			
Company shareholders	276,155	(11,610)	264,545
Non-controlling interests	4,932	(20,855)	(15,923)
	<u>281,087</u>	<u>(32,465)</u>	<u>248,622</u>
<u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>			
Earnings from continuing operations	3.64	(0.53)	3.11
Net income from discontinued operations	8.92	-	8.92
Net earnings	<u>12.56</u>	<u>(0.53)</u>	<u>12.03</u>
<u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>			
Earnings from continuing operations	3.60	(0.53)	3.07
Net income from discontinued operations	8.82	-	8.82
Net earnings	<u>12.42</u>	<u>(0.53)</u>	<u>11.89</u>
Weighted number of shares used in calculating base earnings per share	<u>21,978,597</u>	<u>-</u>	<u>21,978,597</u>
Weighted number of shares used in calculating diluted earnings per share	<u>22,236,865</u>	<u>-</u>	<u>22,236,865</u>

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Pro-Forma Consolidated Statements of Profit and Loss Electra Consumer Products (1970) Ltd.

	For the three months ended on 30 September 2021		
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Revenues from sales and provision of services	1,555,801	(4,544)	1,551,257
Cost of sales and provision of services	1,110,551	(3,237)	1,107,314
Gross profit (loss)	445,250	(1,307)	443,943
Sales and marketing expenses	(341,640)	5,728	(335,912)
Administrative and general expenses	(26,570)	(2,373)	(28,943)
Research and development expenses	(1,828)	-	(1,828)
Other income (expenses), net	870	(3,767)	(2,897)
Operating profit (loss)	76,082	(1,719)	74,363
Financing income	(188)	387	199
Financing expenses	(27,579)	(3,094)	(30,673)
Profit (loss) before taxes on income	48,315	(4,426)	43,889
Tax benefit	12,760	-	12,760
Net profit (loss)	61,075	(4,426)	56,649
 <u>Net income (loss) attributable to:</u>			
Company shareholders	54,574	(4,990)	49,584
Non-controlling interests	6,501	564	7,065
	61,075	(4,426)	56,649
 <u>Net earnings per share attributed to Company shareholders (in NIS)</u>			
Base net earnings per share	2.48	(0.23)	2.25
Diluted net profit per share	2.44	(0.23)	2.21
Weighted number of shares used in calculating base earnings per share	21,991,066	-	21,991,066
Weighted number of shares used in calculating diluted earnings per share	22,383,611	-	22,383,611

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Pro-Forma Consolidated Statements of Profit and Loss Electra Consumer Products (1970) Ltd.

	For the three months ended on 30 September 2020		
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Revenues from sales and provision of services	741,213	904,884	1,646,097
Cost of sales and provision of services	556,893	646,419	1,203,312
Gross profit	184,320	258,465	442,785
Sales and marketing expenses	(120,918)	(218,881)	(339,799)
Administrative and general expenses	(9,288)	(22,316)	(31,604)
Research and development expenses	(1,545)	-	(1,545)
Other income, net	1,302	62,031	63,333
Operating profit	53,871	79,299	133,170
Financing income	3,356	4	3,360
Financing expenses	(2,932)	(93,392)	(96,324)
Profit (loss) before taxes on income	54,295	(14,089)	40,206
Taxes on income	(12,802)	(1,452)	(14,254)
Net income (loss) from continuing operations	41,493	(15,541)	25,952
Net income from discontinued operations	177,732	-	177,732
Net profit (loss)	219,225	(15,541)	203,684
 <u>Net income (loss) attributable to:</u>			
Company shareholders	218,907	(5,557)	213,350
Non-controlling interests	318	(9,984)	(9,666)
	219,225	(15,541)	203,684
 <u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>			
Earnings from continuing operations	1.90	(0.25)	1.65
Net income from discontinued operations	8.09	-	8.09
Net earnings	9.99	(0.25)	9.74
 <u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>			
Earnings from continuing operations	1.87	(0.25)	1.62
Net income from discontinued operations	7.97	-	7.97
Net earnings	9.84	(0.25)	9.59
Weighted number of shares used in calculating base earnings per share	21,923,123	-	21,923,123
Weighted number of shares used in calculating diluted earnings per share	22,246,711	-	22,246,711

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Pro-Forma Consolidated Statements of Profit and Loss Electra Consumer Products (1970) Ltd.

	For the year ended on 31 December 2020		
	as previously reported	Bitan Wines and the pro- forma adjustments	Pro-forma data
		Audited	
	NIS Thousands		
Revenues from sales and provision of services	2,573,373	3,593,526	6,166,899
Cost of sales and provision of services	1,951,831	2,561,130	4,512,961
Gross profit	621,542	1,032,396	1,653,938
Sales and marketing expenses	(451,353)	(869,213)	(1,320,566)
Administrative and general expenses	(35,421)	(74,660)	(110,081)
Research and development expenses	(7,244)	-	(7,244)
Other income, net	2,842	98,202	101,044
Operating profit	130,366	186,725	317,091
Financing income	3,338	313	3,651
Financing expenses	(14,352)	(120,801)	(135,153)
Income before taxes on income	119,352	66,237	185,589
Taxes on income	(28,907)	(24,254)	(53,161)
Net income from continuing operations	90,445	41,983	132,428
Net income from discontinued operations	201,259	-	201,259
Net earnings	<u>291,704</u>	<u>41,983</u>	<u>333,687</u>
 <u>Net income attributable to:</u>			
Company shareholders	285,841	15,013	300,854
Non-controlling interests	5,863	26,970	32,833
	<u>291,704</u>	<u>41,983</u>	<u>333,687</u>
 <u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>			
Earnings from continuing operations	4.08	0.68	4.76
Net income from discontinued operations	8.93	-	8.93
Net earnings	<u>13.01</u>	<u>0.68</u>	<u>13.69</u>
 <u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>			
Earnings from continuing operations	4.03	0.67	4.70
Net income from discontinued operations	8.81	-	8.81
Net earnings	<u>12.84</u>	<u>0.67</u>	<u>13.51</u>
Weighted number of shares used in calculating base earnings per share	<u>21,971,893</u>	<u>-</u>	<u>21,971,893</u>
Weighted number of shares used in calculating diluted earnings per share	<u>22,269,296</u>	<u>-</u>	<u>22,269,296</u>

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Notes on the Pro-Forma Interim Consolidated Financial Statements Electra Consumer Products (1970) Ltd.

	For the nine months ended on		For the three months ended on		For the year
	30 September		30 September		ended on
	2021	2020	2021	2020	31 December
	(Unaudited)				2020
	NIS Thousands				Audited
Net earnings	190,583	248,622	56,649	203,684	333,687
Other comprehensive income (loss) (after tax):					
<u>Sums that will not later be reclassified to profit or loss:</u>					
Profit (loss) from remeasurement for defined benefit plans	-	2,295	-	-	(1,946)
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>					
Adjustments from translation of financial statements of foreign operations	(322)	450	89	587	80
Transfer to profit or loss from sale of foreign operations	8,357	-	792	-	-
Profit (loss) with respect to cash flow hedging transactions	3,935	18,656	352	(512)	14,929
Transfer to statement of profit and loss with respect to cash flow hedging transactions	(1,345)	(10,859)	-	(6,117)	(16,046)
Total other comprehensive profit (loss)	<u>10,625</u>	<u>10,542</u>	<u>1,233</u>	<u>(6,042)</u>	<u>(2,983)</u>
Total comprehensive income	<u><u>201,208</u></u>	<u><u>259,164</u></u>	<u><u>57,882</u></u>	<u><u>197,642</u></u>	<u><u>330,704</u></u>
<u>Comprehensive profit (loss) attributable to:</u>					
Company shareholders	168,948	274,380	50,817	207,308	299,032
Non-controlling interests	<u>32,260</u>	<u>(15,216)</u>	<u>7,065</u>	<u>(9,666)</u>	<u>31,672</u>
	<u><u>201,208</u></u>	<u><u>259,164</u></u>	<u><u>57,882</u></u>	<u><u>197,642</u></u>	<u><u>330,704</u></u>

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Notes on the Pro-Forma Interim Consolidated Financial Statements Electra Consumer Products (1970) Ltd.

	For the nine months ended on 30 September 2021		
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Net earnings	158,775	31,808	190,583
Other comprehensive income (loss) (after tax):			
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>			
Adjustments from translation of financial statements of foreign operations	(322)	-	(322)
Transfer to profit or loss from sale of foreign operations	8,357	-	8,357
Profit with respect to cash flow hedging transactions	3,935	-	3,935
Transfer to statement of profit and loss with respect to cash flow hedging transactions	(1,345)	-	(1,345)
Total other comprehensive profit	10,625	-	10,625
Total comprehensive income	169,400	31,808	201,208
<u>Total income attributable to:</u>			
Company shareholders	159,617	9,331	168,948
Non-controlling interests	9,783	22,477	32,260
	169,400	31,808	201,208
For the nine months ended on 30 September 2020			
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Net profit (loss)	281,087	(32,465)	248,622
Other comprehensive income (loss) (after tax):			
<u>Sums that will not later be reclassified to profit or loss:</u>			
Profit from remeasurement for defined benefit plans	1,194	1,101	2,295
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>			
Adjustments from translation of financial statements of foreign operations	450	-	450
Profit with respect to cash flow hedging transactions	18,656	-	18,656
Transfer to statement of profit and loss with respect to cash flow hedging transactions	(10,859)	-	(10,859)
Total other comprehensive profit	9,441	1,101	10,542
Total comprehensive profit (loss)	290,528	(31,364)	259,164
<u>Comprehensive profit (loss) attributable to:</u>			
Company shareholders	285,596	(11,216)	274,380
Non-controlling interests	4,932	(20,148)	(15,216)
	290,528	(31,364)	259,164

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Notes on the Pro-Forma Interim Consolidated Financial Statements Electra Consumer Products (1970) Ltd.

	For the three months ended on 30 September 2021		
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Net profit (loss)	61,075	(4,426)	56,649
Other comprehensive income (loss) (after tax):			
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>			
Adjustments from translation of financial statements of foreign operations	89	-	89
Transfer to statement of profit or loss from sale of foreign operations	792	-	792
Profit with respect to cash flow hedging transactions	352	-	352
Total other comprehensive profit	1,233	-	1,233
Total comprehensive profit (loss)	62,308	(4,426)	57,882
<u>Comprehensive profit (loss) attributable to:</u>			
Company shareholders	55,807	(4,990)	50,817
Non-controlling interests	6,501	564	7,065
	62,308	(4,426)	57,882

	For the three months ended on 30 September 2020		
	as previously reported	Bitan Wines and the pro- forma adjustments (Unaudited)	Pro-forma data
	NIS Thousands		
Net profit (loss)	219,225	(15,541)	203,684
Other comprehensive income (loss) (after tax):			
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>			
Adjustments from translation of financial statements of foreign operations	587	-	587
Loss with respect to hedging transactions	(512)	-	(512)
Transfer to statement of profit and loss with respect to cash flow hedging transactions	(6,117)	-	(6,117)
Total other comprehensive loss	(6,042)	-	(6,042)
Total comprehensive profit (loss)	213,183	(15,541)	197,642
<u>Comprehensive profit (loss) attributable to:</u>			
Company shareholders	212,865	(5,557)	207,308
Non-controlling interests	318	(9,984)	(9,666)
	213,183	(15,541)	197,642

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

Notes on the Pro-Forma Interim Consolidated Financial Statements Electra Consumer Products (1970) Ltd.

	For the year ended on 31 December 2020		
	as previously reported	Bitan Wines and the pro- forma adjustments	Pro-forma data
	Audited		
	NIS Thousands		
Net earnings	291,704	41,983	333,687
Other comprehensive income (loss) (after tax):			
<u>Sums that will not later be reclassified to profit or loss:</u>			
Loss from remeasurement for defined benefit plans	(139)	(1,807)	(1,946)
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>			
Adjustments from translation of financial statements of foreign operations	80	-	80
Profit with respect to cash flow hedging transactions	14,929	-	14,929
Transfer to statement of profit and loss with respect to cash flow hedging transactions	(16,046)	-	(16,046)
Total other comprehensive loss	(1,176)	(1,807)	(2,983)
Total comprehensive income	<u>290,528</u>	<u>40,176</u>	<u>330,704</u>
<u>Total income attributable to:</u>			
Company shareholders	284,665	14,367	299,032
Non-controlling interests	5,863	25,809	31,672
	<u>290,528</u>	<u>40,176</u>	<u>330,704</u>

The accompanying notes constitute an integral part of the pro-forma interim consolidated financial statements.

