

Financial statements as of 31 March 2022

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 31 March 2022 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.

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Electra Consumer Products (1970) Ltd. in Numbers

Revenues	1.5B	Commercial space	227K sq. m.
Market value	4.2B	EBITDA	125M
Net income attributable to shareholders	47M	Dividend declared and paid	30M
Company equity	1.2B	Total Company balance sheet	6.4B
S&P Rating	ilAA-	Financial debt (without IFRS-16)	330M
Branches	267	Number of employees	6.6K

Electra Consumer Products (1970) Ltd.

Board of Directors Report

For the three months ended at 31 March 2022

The board of directors of Electra Consumer Products (1970) Ltd. respectfully submits the Board of Directors Report on the Company's and its consolidated companies' business affairs (hereinafter: the "**Group**") for the three-month period ended at 31 March 2022 (hereinafter: the "**Reporting Period**"). 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 examined together with the periodic report for the year ended at 31 December 2021 (the "**Company's 2021 Periodic Report**").

1. General

1.1 Description of the Group's business

The Group operates in four 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 as well as the import, manufacture, distribution, and marketing of solar-powered systems ("**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**") (as of the financial statements for 30 June 2021, the Company has been presenting Bitan Wines' operations and the operations of 7-Eleven, which have not yet commenced, as a separate operating segment); the **fourth** – the development and construction of investment property (the "**investment property segment**"). The Group also operates in the "other" segment, which includes the field of camping, sports, and leisure.

1.2 Description of the Company's business environment and trends

The Company's results for the three months ended at 31 March 2022 were characterised by the commencement of operations in additional segments, starting in the second quarter of 2021.

The Company's results during the Reporting Period reflect an improvement that has been expressed in an increase in revenues for the Reporting Period, which amounted to NIS 1,450,490,000, as compared with NIS 697,244,000 in the parallel period of the previous year; an increase in operating income for the Reporting Period, which amounted to NIS 85,715,000, as compared with NIS 45,466,000 in the parallel period of the previous year; an increase in income before taxes on income in the Reporting Period, which amounted to NIS 59,211,000, as compared with NIS 46,608,000 in the parallel period of the previous year; an improvement in net income during the Reporting Period, which amounted to NIS 41,880,000, as compared with NIS 35,604,000 in the parallel period of the previous year; and an improvement in EBITDA, which amounted to NIS 124,541,000, as compared with NIS 67,200,000 in the parallel period of the previous year.

The consolidation of Bitan Wines, which began during the second quarter of 2021, during the Reporting Period, contributed the sum of NIS 688,415,000 to revenue turnover, the sum of NIS 4,423,000 to operating income, and the sum of NIS 44,363,000 to EBITDA.

Net cash deriving from regular operations amounted to approximately NIS 82,695,000 in the Reporting Period, as compared with net cash used in regular operations in the sum of NIS 20,527,000 in the parallel period of the previous year. The increase in cash flows from current operations during the Reporting Period as compared with the parallel period of the previous year primarily derived from an improvement in working capital balances during the Reporting Period and an increase in net income, including the adjustments that are required for presenting cash flows from regular operations.

1.3 Principal events during the Reporting Period

1.3.1 Changes to the Group's structure

During the course of 2021, as part of its growth process, the Company decided on a change in structure in which the retail operations in its subsidiary, Electra Consumer Products (1951) ("**ECP 51**"), would be split under a new company as follows:

- A. On 22 March 2021, the Company's board of directors approved the Company's engagement in a splitting agreement (the "**Agreement**") between the Company and ECP 51 and the company that was established on 28 April 2021 ("**Electra Retail**"). Under that agreement, the electrical retail operations and food retail operations would be split into Electra Retail for no consideration, and the split-up would be tax-exempt pursuant to Section 105A(1) to the Income Tax Ordinance. After the completion of the transfer of the electrical and food retail operations, Electra Retail would be the full owner and exclusive holder of the electric and food retail operations, all valid for tax purposes as at 30 June 2021 subject to the fulfilment of the conditions precedent set forth in the Agreement. On 28 November 2021, the Israel Tax Authority's approval was obtained to split the electric and food retail operations as described above. During the Reporting Period, the conditions precedent that were established in the Agreement, which were, primarily, the banks' consent to such split, were met.
- B. In February 2022, as part of the restructuring that the Company elected to make, ECP 51 and Electra Retail executed an agreement for the transfer of shares in Sa'ar A.T. Enterprises & Trading Ltd., under which the sports and leisure operations are consolidated (hereinafter: "**Sa'ar**"), which shares were held by ECP 51, to Electra Retail in consideration of their fair value based on an internal valuation study that the Company conducted that was based, *inter alia*, on the temporal proximity of ECP 51's acquisition of Sa'ar shares.
- C. In February 2022, as part of the restructuring that the Company elected to make, the Company, ECP 51, Electra Convenience Stores (a company that was established for managing convenience store operations under the 7-Eleven brand), and Electra Retail executed an agreement for the transfer of the convenience store operations. In the framework of the agreement, the franchise agreement was assigned to Electra Convenience Stores, and Electra Convenience Stores' shares were transferred from ECP 51 to Electra Retail, all in consideration of the sums that ECP 51 paid, on account, up until the transfer date.

1.3.2 Issuance of Series A bonds/debentures

On 7 February 2022, the Company issued NIS 250,000,000 par value in Series A Company bonds (a new series) pursuant to a shelf offering report dated 3 February 2022 according to a Company shelf prospectus dated 12 August 2019 for total gross proceeds of NIS 250,000,000.

See Note 5A to the Interim Consolidated Financial Statements for additional details.

1.3.3 Agreement to purchase real property in Rishon Le’Zion

In January 2022, the Company, together with the Reality Real Estate Investment Fund 4, Limited Partnership, won a tender announced by the City of Rishon Le’Zion for the acquisition of the ownership rights to real property of approximately 9 hectares in consideration of the total sum of approximately NIS 106,000,000.

See Note 5B to the Interim Consolidated Financial Statements for additional details.

1.3.4 Agreement with Carrefour

In April 2022, Bitan Wines entered into an exclusive franchise agreement to operate the Bitan Wines chain’s stores under the Carrefour brand for a period of 20 years with an automatic renewal for an additional 20 years as well as options to extend for 20-year periods with the consent of the parties.

See Note 5H to the Interim Consolidated Financial Statements for additional details.

1.3.5 Engagement with Quik Super Online Ltd. (hereinafter: “Quik”)

In March 2022, Bitan Wines entered into a series of agreements with Quik that arrange for the establishment of a new partnership for purposes of conducting online retail operations for products and services based on the technological platform and operational infrastructure developed by Quik.

See Note 5J to the Interim Consolidated Financial Statements for additional details.

1.3.6 Collaboration agreement with Israel Credit Cards Ltd. (hereinafter: “Cal”)

In March 2022, the Company reached an agreement in principle with Cal, and during the course of May 2022, the Company reached a revised agreement in principle with Cal and with Bank Hapoalim, in which it was agreed that the parties would work toward executing a three-way collaboration agreement in which a joint customer loyalty club would be established based on a non-bank credit card for customers of Bit and customers of the Group’s retail chains. See Note 5I to the Interim Consolidated Financial Statements for additional details.

1.3.7 On 3 March 2022, the Company declared the distribution of a dividend in the sum of NIS 30,000,000, which reflects NIS 1.37 per share. The dividend was paid on 3 April 2022.

1.3.8 See Notes 5 and 10 to the Interim Consolidated Financial Statements, respectively, regarding additional significant events in the Reporting Period and thereafter.

The board of directors' explanations of the Company's business affairs

2. **Financial Position:**

The following is a concise summary of the consolidated balance sheets (in NIS Thousands):

	As at 31 March		As at
	2022	2021	31 December
	NIS Thousands		NIS
			Thousands
Current assets	2,156,356	1,446,960	1,941,647
Non-current assets	4,266,044	751,932	4,065,183
Total assets	6,422,400	2,198,892	6,006,830
Current liabilities	2,681,798	1,362,933	2,452,387
Non-current liabilities	2,500,080	215,144	2,324,535
Total equity	1,240,522	620,815	1,229,908
Total liabilities and equity	6,422,400	2,198,892	6,006,830

Assets

- 2.1 The total current assets amounted to approximately NIS 2,156,000,000 as at 31 March 2022, as compared with approximately NIS 1,942,000,000 as at 31 December 2021. The increase in current assets primarily derived from an increase in inventory balances that had resulted from stocking up on inventory in the lead up to the Passover holiday and from an increase in cash balances.
- 2.2 The total non-current assets amounted to approximately NIS 4,266,000,000 as at 31 March 2022, as compared with approximately NIS 4,065,000,000 as at 31 December 2021. The increase primarily derived from an increase in the trade receivables and long-term receivables line that had primarily resulted from the payment of deposits on account of the purchase of lots in Rishon Le'Zion; from an increase in the property, plant, and equipment line and in the right of use assets line as a result of the extension of existing rental agreements; from the revaluation of investment property; and from an increase in deferred tax assets.

Liabilities

- 2.3 The total current liabilities amounted to approximately NIS 2,682,000,000 as at 31 March 2022, as compared with approximately NIS 2,452,000,000 as at 31 December 2021. The change primarily derived from an increase in trade payables because of the increase in the Company's operations, an increase in credit from banks, and a payable dividend.
- 2.4 The total non-current liabilities amounted to approximately NIS 2,500,000,000 as at 31 March 2022, as compared with approximately NIS 2,325,000,000 as at 31 December 2021. The increase primarily derived from an increase in the bonds line that had resulted from the issuance of bonds during the Reporting Period offset by a decrease in long-term bank loans that had primarily resulted from early repayment; from an increase in leasing liabilities corresponding to a parallel increase in right of use assets; and from an increase in deferred tax balances.

Shareholder equity

2.5 Shareholder equity amounted to approximately NIS 1,241,000,000 as at 31 March 2022, as compared with approximately NIS 1,230,000,000 as at 31 December 2021. The increase in equity during the Reporting Period primarily derived from comprehensive income in the sum of NIS 42,000,000 that was partially offset by a dividend declared during the Reporting Period in the sum of NIS 30,000,000.

Financial debt, net

2.6 The Company's financial debt, net (*) amounted to approximately NIS 2,092,000,000 as at 31 March 2022, as compared with financial debt, net of approximately NIS 2,018,000,000 as at 31 December 2021.

2.7 The Company's financial debt, net, after eliminating leasing liabilities (IFRS 16), amounted to a financial debt, net of approximately NIS 330,000,000 as at 31 March 2022, as compared with a financial debt, net of approximately NIS 307,000,000 as at 31 December 2021. The increase in the financial debt, net as at 31 March 2022 compared to 31 December 2021 primarily derived from the acquisition of property, plant, equipment, and other, as well as investment property, and also from repayment of lease liabilities.

(*) Financial debt/asset, net means the banking debt/asset with the addition of leasing liabilities (IFRS 16).

2.8. Segmental assets and liabilities

	31 March 2022						Total
	Segment Electrical consumer products segment	Electrical retail segment	Retail food segment	Investme nt property segment	"Other" segment	Adjustme nts and other	
	NIS Thousands						
Current assets	1,444,903	667,720	471,069	1,417	123,413	(552,166)	2,156,356
Non-current assets	201,112	440,425	3,014,554	379,476	216,448	14,029	4,266,044
Current liabilities	602,091	896,209	1,240,284	33,840	57,779	(148,405)	2,681,798
Non-current liabilities	322,403	222,187	1,531,945	61,526	111,517	250,502	2,500,080
Financial debt, net	(286,889)	(134,456)	(1,602,336)	-	(68,319)	-	(2,092,000)
Financial asset (debt), net (without IFRS 16)	(269,476)	78,876	(189,231)	-	49,831	-	(330,000)

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	31 December 2021						Total
	Segment Electrical consumer products *)	Electrical retail segment *)	Retail food segment *)	Investme nt property segment *)	"Other" segment *)	Adjustme nts and other *)	
	NIS Thousands						
Current assets	1,370,004	465,254	309,438	-	118,783	(321,832)	1,941,647
Non-current assets	190,249	401,821	2,985,318	269,700	210,156	7,939	4,065,183
Current liabilities	534,683	736,613	1,104,291	7,500	52,899	16,401	2,452,387
Non-current liabilities	412,268	177,188	1,521,013	4,552	107,066	102,448	2,324,535
Financial debt, net	(224,018)	(151,982)	(1,563,000)	-	(79,000)	-	(2,018,000)
Financial asset (debt), net					34,000		
Financial asset (debt), net (without IFRS 16)	(203,521)	33,521	(171,000)	-	-	-	(307,000)

*) Reclassified.

3. Results of Activities by Quarter:

3.1. Summary of business results by quarter (in NIS Thousands):

	Quarter		Quarter		For the year ended at December 31	
	1-3/2022	(*)	1-3/2021	(*)	2021	(*)
Revenues from sales and provision of services	1,450,490		697,244		4,648,546	
Cost of sales and provision of services	1,028,723		516,908		3,349,001	
Gross profit	421,767	29.1%	180,336	25.9%	1,299,545	28.0%
Selling and marketing expenses	(342,923)		(120,797)		(988,661)	
Administrative and general expenses	(23,103)		(9,154)		(80,718)	
Research and development expenses	(1,005)		(1,940)		(6,231)	
Other income (expenses), net	30,979		(2,979)		41,664	
Operating income	85,715	5.9%	45,466	6.5%	265,599	5.7%
Financing income	1,041		2,158		6,555	
Financing expenses	(27,545)		(1,016)		(68,681)	
Income before taxes on income	59,211	4.1%	46,608	6.7%	203,473	4.4%
Taxes on income	(17,331)		(11,004)		(31,597)	
Net income	41,880	2.9%	35,604	5.1%	171,876	3.7%

(*) Percentage of turnover

3.2 Revenues

The Group's revenues amounted to approximately NIS 1,450,000,000 in the first quarter of 2022, as compared with approximately NIS 697,000,000 in the parallel period of the previous year, an increase of approximately 108%. The increase in sales turnover primarily derived from the consolidation of the results of the companies that were acquired during the course of 2021 that had not yet been consolidated during the parallel quarter of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.3 Gross profit

The gross profit rate in the first quarter of 2022 stood at approximately 29.1% of the sales turnover, as compared with approximately 25.9% during the parallel period of the previous year. The gross profit in the first quarter of 2022 amounted to approximately NIS 422,000,000, as compared with approximately NIS 180,000,000 in the parallel period of the previous year, an increase of approximately 133.9%. The increase in gross profits primarily derived from the consolidation of the results of the companies that were acquired during the course of 2021 that had not yet been consolidated during the parallel quarter of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.4 Selling and marketing expenses

Selling and marketing expenses amounted to approximately NIS 343,000,000 (approximately 23.6% of sales turnover) in the first quarter of 2022, as compared with approximately NIS 121,000,000 (approximately 17.3% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the consolidation of the results of the companies that were acquired during the course of 2021 that had not yet been consolidated during the parallel quarter of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.5. Administrative and general expenses

Administrative and general expenses amounted to approximately NIS 23,000,000 (approximately 1.6% of sales turnover) in the first quarter of 2022, as compared to approximately NIS 9,000,000 (approximately 1.3% of sales turnover) during the parallel period of the previous year. The increase in expenses primarily derived from the consolidation of the retail food segment that had not yet been consolidated during the first quarter of the previous year.

3.6. Research and development expenses

Research and development expenses amounted to approximately NIS 1,000,000 in the first quarter of 2022, as compared with approximately NIS 1,900,000 in the parallel period of the previous year. The decrease in research and development expenses derives from an increase in expenditures directed at developing future products from the climate systems plant (primarily, heating systems for export), which is amortised as an intangible asset.

3.7. Other income (expenses), net

Other income, net amounted to approximately NIS 31,000,000 in the first quarter of 2022, as compared with other expenses, net of approximately NIS 3,000,000 in the parallel period of the previous year. Income during the Reporting Period primarily derived from the revaluation of investment property owned by the Company.

3.8. Operating income

Operating income amounted to approximately NIS 86,000,000 in the first quarter of 2022, as compared with approximately NIS 45,500,000 in the parallel period of the previous year, **an increase of approximately 89%**.

3.9. Financing income (expenses), net

Financing expenses, net amounted to approximately NIS 27,000,000 in the first quarter of 2022, as compared with financing income, net of approximately NIS 1,100,000 in the parallel period of the previous year. Financing expenses, net primarily derived from the consolidation of the retail food segment in the sum of approximately NIS 20,400,000 and from the "other" segment, which had not yet been consolidated during the first quarter of the previous year, as well as from interest expenses from bank loans and bonds that the Company had issued in the sum of approximately NIS 2,400,000.

3.10. Income before taxes on income

Income before taxes on income amounted to approximately NIS 59,200,000 in the first quarter of 2022, as compared with income before taxes on income of approximately NIS 46,600,000 in the parallel period of the previous year.

3.11. Taxes on income

Expenditures on taxes on income amounted to approximately NIS 17,000,000 in the first quarter of 2022, as compared with tax expenditures in the sum of approximately NIS 11,000,000 in the parallel period of the previous year. The increase in tax expenses primarily derived from an increase in income before tax.

3.12. Net income

Net income amounted to approximately NIS 41,900,000 in the first quarter of 2022, as compared with approximately NIS 35,600,000 in the parallel period of the previous year.

3.13. EBITDA *)

The EBITDA amounted to approximately NIS 125,000,000 in the first quarter of 2022, as compared with approximately NIS 67,000,000 in the parallel period of the previous year, an increase of approximately 85%.

EBITDA, after neutralising the effects of IFRS 16, amounted to approximately NIS 56,000,000 in the first quarter of 2022, as compared with approximately NIS 57,000,000 in the parallel period of the previous year.

- *) EBITDA is calculated as earnings before depreciation and amortisation, financing expenses, net, other income (expenses), and taxes on income, and as at 2022, the Company has also begun to deduct share-based payment expenses (including adjustment of comparison numbers).

4. Report on Business Segments

4.1 Revenue (in NIS Thousands)

	For the three months ended at 31 March		
	in NIS Thousands		
	2022	2021	% change
Electrical consumer products	324,549	322,287	0.7%
Electrical retail	420,705	423,504	(0.7%)
Retail food	688,415	-	-
Investment property	2,751	3,052	(9.9%)
Other	55,527	-	-
Adjustments and other	(41,457)	(51,599)	(19.7%)
Total	1,450,490	697,244	108.0%

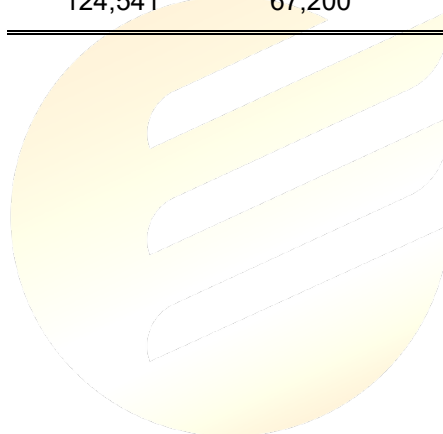
4.2 Segmental income (in NIS Thousands):

	For the three months ended at 31 March		
	in NIS Thousands		
	2022	2021	% change
Electrical consumer products	38,809	36,149	7.4%
Electrical retail	16,610	23,470	(29.2%)
Retail food	4,423	-	-
Investment property	33,704	3,052	1,004.3%
Other	8,741	-	-
Adjustments and other	(5,893)	(8,051)	(26.8%)
Total segmental profit	96,394	54,620	76.5%
Unallocated joint expenses	10,679	9,154	16.7%
Operating income	85,715	45,466	88.5%

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4.3 Segmental EBITDA (in NIS Thousands):

	For the three months ended at 31 March		
	in NIS Thousands		
	2022	2021	% change
Electrical consumer products	45,091	42,627	5.8%
Electrical retail	29,952	33,592	(10.8%)
Retail food	44,363	-	-
Investment property	2,751	3,052	(9.9%)
Other	15,129	-	-
Adjustments and other	(3,014)	(3,084)	(2.3%)
Total segmental EBITDA	134,272	76,187	76.2%
Unallocated joint expenses	9,731	8,987	8.3%
EBITDA	124,541	67,200	85.3%



4.4 Segmental EBITDA after neutralising the effects of IFRS 16 (in NIS Thousands):

	For the three months ended at 31 March in NIS Thousands		
	2022	2021	% change
Electrical consumer products	43,691	41,364	5.6%
Electrical retail	17,248	24,822	(30.5%)
Retail food	(4,567)	-	-
Investment property	2,751	3,052	(9.9%)
Other	10,175	-	-
Adjustments and other	(3,014)	(3,085)	(2.3%)
Total segmental EBITDA	66,284	66,153	0.2%
Unallocated joint expenses	10,238	9,331	9.7%
EBITDA	56,046	56,822	(1.4%)

4.5 Explanation of the data that appears in the table

(1) Electrical consumer products

The sales turnover amounted to approximately NIS 325,000,000 in the Reporting Period, as compared with approximately NIS 322,000,000 in the parallel period of the previous year, which constitutes an increase of approximately 0.7%. The sales turnover during the previous year, after neutralising the sales turnover of the Company's second-tier subsidiary in France, which was sold in April 2021, amounted to the sum of approximately NIS 293,000,000, which constitutes an effective increase of NIS 32,000,000. The increase in revenues primarily derived from the increased sales of heating systems for export, air conditioners in Israel, and solar energy systems - whose operations commenced at the start of the fourth quarter of the previous year - and was offset by a decrease in brand commerce primarily because of the timing of the Passover holiday. Segmental income amounted to approximately NIS 39,000,000 in the Reporting Period, as compared with approximately NIS 36,000,000 in the parallel period of the previous year, and primarily derived from increased sales.

(2) Electrical retail

The sales turnover amounted to approximately NIS 421,000,000 in the Reporting Period, as compared with approximately NIS 424,000,000 in the parallel period of the previous year, a decrease of approximately 0.7%. **Pro-forma sales in this segment during this period, commencing on 1 January 2022 and ending on 30 April 2022, increased to approximately NIS 604,000,000, as compared to pro-forma sales of approximately NIS 557,000,000 during the parallel period of the previous year, an increase of approximately 8.4%.** The sales in the same stores in the segment that operated fully in the Reporting Period decreased in comparison to the parallel period of the previous year by approximately 17.8%. Pro-forma sales in the same stores in the segment that operated fully during the period starting on 1 January 2022 and ending on 30 April 2022 decreased in comparison to the parallel period of the previous year by approximately 12.9%.

Monthly average sales per square metre in the same stores amounted to NIS 3,057,

as compared with NIS 3,681 per square metre in the parallel period of the previous year. The decrease primarily derived from the timing of the Passover holiday as well as election day, which took place during the fourth quarter of the previous year.

The segmental income amounted to approximately NIS 17,000,000 in the Reporting Period, which constitutes approximately 3.9% of the turnover, as compared with approximately NIS 23,000,000 in the parallel period of the previous year, which constitutes approximately 5.5% of the turnover, and primarily derives, as noted, from the timing of the holiday and election day.

(3) **Retail food**

As of 27 May 2021, the Company has been consolidating Bitan Wines' results into its financial statements. The sales turnover and the segmental income during the Reporting Period came to approximately NIS 688,000,000 and NIS 4,400,000, respectively.

Sales in the same store in this segment that operated fully in the Reporting Period and in the parallel period of the previous year decreased by approximately 8.7% as part of the overall decrease in the food market during the first quarter of the year.

Monthly average sales per square metre amounted to NIS 1,977, as compared with NIS 2,208 per square metre in the parallel period of the previous year, which was a record year as a result of the renewed outbreak of the Covid-19 pandemic.

For a pro-forma analysis of business results, see Section 7 below.

(4) **Investment property**

The revenues and segmental income, respectively, during the Reporting Period, amounted to approximately NIS 2,800,000, as compared to approximately NIS 3,100,000 in the previous year, and approximately NIS 34,000,000 during the Reporting Period, as compared to approximately NIS 3,100,000 during the previous year. The increase in segmental income derives from the revaluation of investment property owned by the Company in Rishon Le'Zion.

(5) **"Other"**

The "other" segment includes operations in the field of camping, sports, and leisure. As of 1 July 2021, the Company has been incorporating Sa'ar's results into its financial statements.

The sales turnover and the segmental income during the Reporting Period came to approximately NIS 56,000,000 and NIS 9,000,000, respectively.

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)

	31 March 2022		31 March 2021		31 December 2021	
	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases
Operating income	85,715	69,812	45,466	44,896	265,599	231,791
Financing income (expenses), net	(26,504)	(6,141)	1,142	2,139	(62,126)	(11,007)
Income before taxes on income	59,211	63,671	46,608	47,035	203,473	220,784
Taxes on income	(17,331)	(17,331)	(11,004)	(11,004)	(31,597)	(31,597)
Net income from continuing operations	41,880	46,340	35,604	36,031	171,876	189,187
Net income attributable to Company shareholders	46,604	45,459	35,081	35,508	164,113	212,762
EBITDA	124,541	56,046	67,200	56,822	420,045	250,659

6. Distribution of the Sources of Financing

6.1 The following is a brief summary of the cash flows (in NIS Thousands):

	For the three months ended at 31 March		For the year ended at 31 December
	2022	2021	2021
Cash flows generated (absorbed) by			
Regular activity	82,695	(20,527)	(6,186)
Investment activity	(55,430)	(84,673)	51,359
Financing	90,729	(75,379)	(17,172)
Exchange differences on cash balances	-	689	710
Total cash increase (decrease)	117,994	(179,890)	28,711

6.2. **Cash flows from regular operations**

Net cash that derived from current operations amounted to approximately NIS 83,000,000 in Reporting Period, as compared with net cash used in current operations in the sum of approximately NIS 21,000,000 in the previous year. The increase in cash flows from current operations during the Reporting Period as compared with the parallel period of the previous year primarily derived from an improvement in working capital balances during the Reporting Period and from an increase in net income, including the adjustments required for the presentation of cash flows from regular operations. Consolidation of the results of the companies that were acquired during 2021 that had not yet been consolidated during the first quarter of the previous year contributed, during the Reporting Period, net cash that derived from regular operations of approximately NIS 9,000,000 after neutralisation of the effects of IFRS 16 - Leases.

6.3. **Cash flows absorbed by investment activity**

Net cash that was used by investment activity amounted to approximately NIS 55,000,000 in the Reporting Period, as compared with approximately NIS 85,000,000 in the parallel period of the previous year. The decrease during the Reporting Period derived from an investment in marketable securities of approximately NIS 70,000,000 during the previous year, which was partially offset by an investment in investment property of approximately NIS 27,000,000 and by an increase in investments in property, plant, and equipment, and in intangible assets of approximately NIS 12,000,000 during the Reporting Period as compared to the previous year. Consolidation of the results of the companies that were acquired during 2021 that had not yet been consolidated during the first quarter of the previous year contributed, during the Reporting Period, net cash used in regular operations in the sum of approximately NIS 17,000,000.

6.4. **Cash flows absorbed by financing activity**

The net cash that derived from financing activity amounted to approximately NIS 91,000,000 in the Reporting Period, as compared with net cash that was absorbed by financing activity of approximately NIS 75,000,000 in the parallel period of the previous year. The increase in net cash that derived from financing activities primarily derived from raising capital through bonds, offset by the early repayment of loans to banks in the net sum of approximately NIS 55,000,000 during the Reporting Period as opposed to the early repayment of a bank loan in the sum of approximately NIS 65,000,000 in the previous year, as well as from the net proceeds from an increase in short-term credit from banks of approximately NIS 85,000,000 during the Reporting Period as opposed to a net repayment in the sum of approximately NIS 1,000,000 in the previous year. Consolidation of the results of the companies that were acquired during 2021 that had not yet been consolidated during the first quarter of the previous year contributed, during the Reporting Period, net cash that derived from financing operations of approximately NIS 84,000,000 (after neutralisation of the effects of IFRS 16 - Leases).

7. **Pro-forma Results of Business Operations**

7.1. **General**

Below are data from the Pro-Forma Interim Consolidated Financial Statements for the three-month period ended at 31 March 2021 and the year ended at 31 December 2021 (jointly, the "**Pro-Forma Periods**") pursuant to Article 38B to the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Pro-Forma Reports**") (the "**Report Regulations**").

The Pro-Forma Reports were prepared in order to reflect, in the Company's financial statements as at 1 January 2019 (hereinafter: the "**Date of the Pro-Forma Consolidation**"), the consolidation of Bitan Wines Ltd. (hereinafter: "**Bitan Wines**") due to the acquisition thereof by the Company on 27 May 2021, according to the assumptions set forth in Note 4 to the Interim Pro-Forma Consolidated Financial Statements as at 31 March 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

**The Board of Directors Report on the State of the Corporation's Affairs
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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-Forma Reports took into account, *inter alia*, reductions for surplus costs that had been generated by the acquisition of Bitan Wines on the basis of a provisional allocation made by an independent outside valuator who had determined the allocation of the consideration that was paid for Bitan Wines' assets and liabilities.

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

	For the three months ended at 31 March		For the year ended at 31 December
	2022 *)	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
Revenues from sales and provision of services	1,450,490	1,457,831	5,898,821
Cost of sales and provision of services	1,028,723	1,043,065	4,213,922
Gross profit	421,767	414,766	1,684,899
Selling and marketing expenses	(342,923)	(300,224)	(1,275,165)
Administrative and general expenses	(23,103)	(25,175)	(106,802)
Research and development expenses	(1,005)	(1,940)	(6,231)
Other income (expenses), net	30,979	(1,636)	59,339
Operating income	85,715	85,791	356,040
Financing income	1,041	2,177	6,625
Financing expenses	(27,545)	(30,260)	(117,323)
Income before taxes on income	59,211	57,708	245,342
Taxes on income	(17,331)	(10,351)	(31,658)
Net earnings	41,880	47,357	213,684

*) The data presented for the three months ended at 31 March 2022 are not pro-forma data but rather the actual data for the Reporting Period.

7.3 Analysis of the business results for the three-month period ended at 31 March 2022 compared to the pro-forma results of the parallel period of the previous year

7.3.1 Revenues

The Group's revenues amounted to approximately NIS 1,450,000,000 in the three-month period ended at 31 March 2022 (hereinafter: the "**Reporting Period**"), as compared with pro-forma sales of approximately NIS 1,458,000,000 in the parallel period of the previous year, a decrease of approximately 0.5%. The decrease in sales turnover primarily derived from the retail food segment as part of the noted overall increase in the food market during the first quarter of the year as compared to the previous year, against an offset deriving from the first-time consolidation, beginning in the third quarter of the previous year of other segments, including operations in the field of camping, sport, and leisure.

7.3.2. Gross profit

The gross profit rate in the Reporting Period stood at approximately 29.1% of the sales turnover, as compared to pro-forma gross profits of approximately 28.5% in the parallel period of the previous year. The gross profit in the Reporting Period amounted to approximately NIS 422,000,000, as compared to the pro-forma gross profit of approximately NIS 415,000,000 in the parallel period of the previous year, an increase of approximately 1.69%. The retail food segment contributed approximately NIS 206,000,000 to gross profit, as compared to a total of NIS 234,000,000 in the previous year, a decrease that derived, as noted, from an overall decrease in the food market during the first quarter of the year. To gross profit during the Reporting Period, the electrical consumer products segment contributed approximately NIS 83,000,000, the electrical retail segment contributed approximately NIS 99,000,000, and the "other" segment contributed approximately NIS 34,000,000.

7.3.3. Selling and marketing expenses

Selling and marketing expenses amounted to approximately NIS 343,000,000 (23.6% of sales turnover) in the Reporting Period, as compared with pro-forma selling and marketing expenses of approximately NIS 300,000,000 (20.6% of sales turnover) in the parallel period of the previous year. The increase in selling and marketing expenses during the Reporting Period primarily derived from the "other" segment, which was consolidated for the first time during the third quarter of the previous year, and from the electrical retail segment as a result of the opening of new branches during the course of the second, third, and fourth quarters of the previous year, including consolidation of the duty-free store as of April last year.

7.3.4. Administrative and general expenses

Administrative and general expenses in the Reporting Period amounted to approximately NIS 23,000,000 (approximately 1.6% of sales turnover), as compared with pro-forma administrative and general expenses of approximately NIS 25,000,000 in the parallel period of the previous year (approximately 1.7% of sales turnover). The retail food segment decreased by approximately NIS 4,000,000 during the Reporting Period as compared with pro-forma management and general expenses during the Reporting Period in the previous year.

7.3.5. Research and development expenses

Research and development expenses amounted to approximately NIS 1,000,000 in the Reporting Period, as compared with approximately NIS 1,900,000 in the previous year.

7.3.6. Other income (expenses), net

Other income, net amounted to approximately NIS 31,000,000 in the Reporting Period and derived from the revaluation of investment property owned by the Company in Rishon Le'Zion, as compared with pro-forma other expenses, net of approximately NIS 1,600,000 in the parallel period of the previous year.

7.3.7 Operating income

Operating income amounted to approximately NIS 86,000,000 in the Reporting Period, similar to pro-forma operating income of approximately NIS 86,000,000 in the parallel period of the previous year. The operating income in the retail food market decreased during the Reporting Period by approximately NIS 36,000,000 as a result of a decrease in the food market as noted above and was offset by operating income in the "other" segment, which had begun to be reported in the Company's statements during the third quarter of the previous year, and by an increase in the investment property segment that had resulted from a revaluation of real estate properties during the Reporting Period.

7.3.8 Financing expenses, net

Financing expenses, net amounted to approximately NIS 27,000,000 in the Reporting Period, as compared with pro-forma financing expenses, net of approximately NIS 28,000,000 in the parallel period of the previous year.

7.3.9 Income before taxes on income

Income before taxes amounted to approximately NIS 59,000,000 in the Reporting Period, as compared with pro-forma income before taxes of approximately NIS 58,000,000 in the parallel period of the previous year.

7.3.10 Taxes on income

Taxes on income expenditures amounted to approximately NIS 17,000,000 in the Reporting Period, as compared with pro-forma taxes on income expenditures of approximately NIS 10,000,000 in the parallel period of the previous year.

7.3.11 Net income

Net income during the Reporting Period amounted to approximately NIS 42,000,000, as compared with pro-forma net income of approximately NIS 47,000,000 in the parallel period of the previous year. The decrease in net income primarily derives from an increase in deferred tax expenses as described above.

7.3.12 EBITDA

EBITDA during the Reporting Period amounted to approximately NIS 125,000,000, as compared with pro-forma EBITDA of approximately NIS 146,000,000 in the parallel period of the previous year. The decrease in the retail food segment came to approximately NIS 34,000,000.

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

For details about events after the balance sheet date, see Note 10 to the Interim Consolidated Financial Statements.

9. [Buyback Plan](#)

There was no change regarding the Company's share buyback plan during the Reporting Period. For details, see Section 11 to the Board of Directors Report attached to the Company's Periodic Report for 2021.

10. [Directors with Accounting and Financial Expertise](#)

During the Reporting Period, there was no change regarding the minimum number of directors who have special financial-accounting expertise that the Company board of directors must include.

11. [Independent Directors](#)

During the Reporting Period, there was no change regarding the independent directors as set forth in the Company's Periodic Report for 2021.

12. [Disclosure Regarding the Internal Auditor](#)

During the Reporting Period, there were no material changes regarding data about the Company's internal auditor as set forth in the Company's Periodic Report for 2021.

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

See the Board of Directors Report for 31 December 2021.

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

Data on the Company's liabilities position as at 31 March 2022 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.

15. Details Relating to a Very Substantial Valuation that Served as a Basis for Determining the Value of Data in the Financial Statements

As at 31 March 2022, the Company has a very substantial valuation of its investment property:

Below are details pursuant to Article 8B(I) to the Report Regulations regarding the valuation that was used as a basis in determining the data values in the Company's financial statements:

Valuation subject:	A comprehensive appraisal regarding a parcel of land zoned for business and trade, with an industrial building located in the Ayalon Business Park, Western Industrial Zone, Rishon Le'Zion.
Timing of the valuation:	31 March 2022
Value of the subject of the valuation that was determined pursuant to the valuation:	Approximately NIS 163,300,000 (according to the Company's share in the rights – 50%).
Valuator information:	The firm of Odles Keinan Ltd. The work was performed by Mr. Offer Odles, a real estate appraiser with an undergraduate degree in management and sociology and a graduate of the certificate programme in real estate appraisal and management at the College of Management in Tel Aviv. He is a licensed real estate appraiser under the Real Estate Appraiser Law and has many years of experience in valuations for accounting purposes for reporting corporations. The Company executed an undertaking to indemnify the valuator/appraiser. The valuator is not dependent on the Company.
The assessment model used by the valuator:	The cost approach integrated into the sales comparison approach and the income capitalisation for audit approach.
Assumptions used by the valuator in the valuation:	Market survey of surrounding properties. Survey of developed office and commerce space in the surrounding area. Scope of building rights – 260% per dunam [hectare]. For additional details, see the valuation attached to the quarterly report.

In July 2021, a transaction was entered into for the sale of 50% of the rights to the real property to Reality Real Estate Investment Fund 4, Limited Partnership. For details about the value derived from this transaction, see Section 14.1 to the Company's report for the second quarter of 2021 (reference number: 2021-01-071011) and Section 14.1 in Part B to the Company's Periodic Report for 2021, which are included in this report by way of reference.

16. [Financial Criteria](#)

Below is a table that sets forth the various criteria that the Company undertook with respect to bondholders and the calculation of whose results are accurate as at 31 March 2022:

Security	Balance of the par value of the security in circulation (in NIS Thousands)		Financial criterion	Actual criterion as at 31.3.2022
	As at 31 March 2022	Immediately prior to reporting date		
(Series A) Bonds/Debentures	250,000	250,000	Tangible equity – the Company's "solo" tangible equity at the end of the review period (as defined in the deed) shall not be less than NIS 350,000,000.	NIS 709,000,000
			Ratio of net financial debt to net balance sheet – The ratio of the net financial debt to the net balance sheet at the end of the review period (as defined in the deed) shall not exceed 67%.	5.6%

17. [Below Are the Details About the \(Series A\) Bonds \(in NIS Thousands\)](#)

Bonds (Series A) ⁽²⁾		
Disclosure item	Details about the bonds (Series A)	
1. Issuance date ⁽¹⁾	7 February 2022, pursuant to a shelf offering report	
2. Total par value on the date of issue ⁽¹⁾	NIS 250,000,000 par value	
3. Par value balance as at 31 March 2022	NIS 250,000,000 par value	
4. Par value balance on the reporting date	NIS 250,000,000 par value	
5. The par value balance on the reporting date, revalued according to linkage terms	The series is not linked.	
6. Amount of carried accrued interest as at 31 March 2022	NIS 748,000 ⁽³⁾	
7. Market value as at 15 May 2022	NIS 240,300,000	
8. Type of interest	Fixed interest at a rate of 2.1%. We note that the trust deed for the (Series A) bonds dated 2 February 2022 (the "Trust Deed") establishes a number of adjustment mechanisms for changing the annual interest rate for the (Series A) bonds due to failure to meet minimal tangible shareholder equity, due to failure to meet the net financial debt to EBITDA ratio, or due to a change in the (Series A) bond rating. According to the above (cumulative) adjustment mechanisms, the total amount of interest supplements shall not exceed 1.25% (other than in the event of an entitlement to interest on arrears). For details, see Sections 5.21, 5.22, and 5.23 to the Trust Deed.	
9. Dates for payment of principal	The (Series A) bonds are payable in seven (7) unequal annual instalments, as follows: four (4) payments at a rate of 12.5% each on 31 December of each of the years 2023 through 2026 (inclusive), two (2) payments at a rate of 15% each on 31 December of each of the years 2027 and 2028 (inclusive), and an additional payment of 20% on 31 December 2029. The first instalment of the principal will be paid on 31 December 2023, and the final instalment of the principal will be paid on 31 December 2029.	
10. Interest payment dates	The interest for the (Series A) bonds will be paid in equal amounts semi-annually on 30 June and 31 December in each of the years 2022 through 2029 (inclusive) such that the first interest payment will be on 30 June 2022 and the last interest payment will be on 31 December 2029 (together with the final payment of the principal).	
11. Principal and interest linkage basis	The (Series A) bonds are not linked (principal or interest) to any linkage basis.	
12. Are the bonds convertible?	No	
13. Early repayment or forced conversion of bonds	The Company shall be entitled, at its initiative, to call the (Series A) bonds due for early repayment, all according to the provisions of Section 7.2 to the Trust Deed.	
14. Guarantee for payment of the Company's obligations pursuant to the Trust Deed	None	

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For the period ended at 31 March 2022**

Bonds (Series A)⁽²⁾		
Disclosure item		Details about the bonds (Series A)
15.	Fulfillment of the terms and obligations pursuant to the Trust Deed	As of the report date, the Company has been meeting all of its above-described financial obligations. Additionally, as of the report date, to the best of the Company's knowledge, the Company has not breached its obligations as established in the (Series A) Bonds' Trust Deed, and no conditions have occurred that establish cause for calling the above bonds due for immediate repayment.
16.	Is the Company required by the trustee to perform various actions, including calling meetings of bondholders?	No
17.	Details of guarantees/liens	None
Details about the trustee for the holders of (Series A) bonds		
1.	Trustee name	Mishmeret Trust Company Ltd.
2.	Bond Administrator	Mr Rami Sabati, CPA
3.	Contact information	48 Menachem Begin Blvd., Tel Aviv, Telephone: 03-6374351, Fax: 03-6374344, email address: RamiS@mtrust.co.il
Details about the (Series A) bond rating		
1.	Name of rating company as of the report date	Standard & Poors Maalot Ltd. ("Maalot")
2.	Rating determined on the date of issue	'iIAA-' (January and February 2022)
3.	Rating on the report date	'iIAA-' (January and February 2022)
4.	Additional ratings between the date of issue and the report date	-

- (1) On 3 February 2022, the Company published a shelf offering report (reference number: 2022-01-013488), in which the Company made an initial public offering of NIS 250,000,000 par value of the Company's (Series A) bonds.
- (2) As of the report date, pursuant to the provisions of Section 10(B)(13)(a) to the Report Regulations, the Company views the (Series A) bonds as a substantive series.
- (3) The amount of interest accrued as at 15 May 2022 in respect of the (Series A) bonds is NIS 1,402,000.

18. Working Capital Shortfall

In light of the issuance of the Company's (Series A) bonds as described above, the Company is obligated, pursuant to Article 10(B)(14) to the Report Regulations, to ascertain, from time to time, whether there are indications of a liquidity problem at the Company.

As at 31 March 2022, the Company listed, in its Consolidated Financial Statements, negative working capital (net) (current assets less current liabilities) of approximately NIS 525,000,000 and a negative operating capital (net)- which characterises retail operations such as the Company's - of approximately NIS 59,000,000. Similarly, as at that date, the Company has a negative working capital (net) (current assets less current liabilities) of approximately NIS 175,000,000 and a negative operating capital (net), according to the Company's separate (solo) financial data, of approximately NIS 30,000,000.

The Company's board of directors conducted a review as to whether the above factual situation indicates a liquidity problem in the framework of which it reviewed the Company's sources for repaying its existing and expected liabilities based on the forecasted cash flow that was presented to the board. Accordingly, the board of directors determined that the shortfall in working capital and the shortfall in operating working capital do not indicate a liquidity problem at the Company and therefore, there is no warning sign at the Company as that term is defined in Article 10(B)(14) to the Report Regulations.

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19. Linkage-Bases Report as at 31 March 2022 (in NIS Thousands)

	Dollars	Euro	Total foreign currency	Unlinked	Linked	Non- monetary	Total
Assets							
Cash and cash equivalents	19,539	10,974	30,513	431,913	-	-	462,426
Short-term investments	-	-	-	2,915	420	-	3,335
Trade receivables	1,704	17,226	18,930	664,132	-	-	683,062
Other receivables	12,907	6,667	19,574	4,745	5,168	15,714	45,201
Inventory	-	-	-	-	-	962,332	962,332
Long-term other receivables	-	-	-	18,096	10,041	52,944	81,081
Investment property	-	-	-	-	-	326,532	326,532
Property, plant, and equipment, net	-	-	-	-	-	216,962	216,962
Right of use assets, land	-	-	-	-	-	56,243	56,243
Right of use assets, other	-	-	-	-	-	1,549,717	1,549,717
Goodwill	-	-	-	-	-	1,903,435	1,903,435
Intangible assets	-	-	-	-	-	104,482	104,482
Deferred taxes	-	-	-	-	-	27,592	27,592
Total assets	34,150	34,867	69,017	1,121,801	15,629	5,215,953	6,422,400
Liabilities							
Credit from banking corporations and others	-	-	-	106,469	-	-	106,469
Current maturities of leasing liabilities	-	-	-	-	182,699	-	182,699
Trade payables	150,434	63,771	214,205	1,490,640	-	-	1,704,845
Other payables	602	-	602	280,816	159,270	215,198	655,886
Dividends payable	-	-	-	31,899	-	-	31,899
Loans from banks and others	-	-	-	452,006	-	-	452,006
Bonds/Debentures	-	-	-	247,167	-	-	247,167
Leasing liabilities	-	-	-	-	1,579,534	-	1,579,534
Other non-current liabilities	-	-	-	29,377	-	107,457	136,834
Employee benefit liabilities, net	-	-	-	-	-	38,431	38,431
Deferred taxes	-	-	-	-	-	46,108	46,108
Total liabilities	151,036	63,771	214,807	2,638,374	1,921,503	407,194	5,181,878
Balance of the exposure of assets (liabilities) to the results	(116,886)	(28,904)	(145,790)	(1,516,573)	(1,905,874)	4,808,759	1,240,522

**Avi Israeli, Director,
Authorised by the Board of
Directors**

**Zvika Schwimmer,
Chief Executive
Officer**

Date: 16 May 2022

Electra Consumer Products (1970) Ltd.

Interim Consolidated Financial Statements as at 31 March 2022

Unaudited

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Consolidated Statements of Financial Position

	As at 31 March		As at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
<u>Current assets</u>			
Cash and cash equivalents	462,426	135,831	344,432
Short-term investments	3,335	142,072	4,344
Trade receivables	683,062	554,507	679,812
Other receivables	45,201	25,579	58,667
Inventory	962,332	588,971	854,392
	<u>2,156,356</u>	<u>1,446,960</u>	<u>1,941,647</u>
<u>Non-current assets</u>			
Long-term investments	-	48,218	-
Trade and other receivables	81,081	4,405	25,403
Investment property	326,532	216,530	269,700
Property, plant, and equipment, net	216,962	81,374	201,444
Right of use assets, land	56,243	49,798	56,387
Right of use assets, other	1,549,717	137,852	1,501,770
Goodwill	1,903,435	187,317	1,900,347
Intangible assets	104,482	23,993	105,100
Deferred taxes	27,592	2,445	5,032
	<u>4,266,044</u>	<u>751,932</u>	<u>4,065,183</u>
	<u>6,422,400</u>	<u>2,198,892</u>	<u>6,006,830</u>

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Consolidated Statements of Financial Position

	As at 31 March		As at 31 December
	2022	2021	2021
	(Unaudited)		Audited
NIS Thousands			
<u>Current liabilities</u>			
Credit from banks and others	106,469	2,958	49,327
Current maturities of leasing liabilities	182,699	34,609	172,135
Trade payables	1,704,845	959,676	1,573,794
Other payables (including related companies)	655,886	325,690	657,131
Dividends payable	31,899	40,000	-
	<u>2,681,798</u>	<u>1,362,933</u>	<u>2,452,387</u>
<u>Non-current liabilities</u>			
Loans from banks and others	452,006	5,478	616,500
Bonds/Debentures	247,167	-	-
Leasing liabilities	1,579,534	116,127	1,539,903
Other liabilities	136,834	54,698	112,303
Employee benefit liabilities, net	38,431	18,068	38,552
Deferred taxes	46,108	20,773	17,277
	<u>2,500,080</u>	<u>215,144</u>	<u>2,324,535</u>
<u>Equity</u>			
Equity attributed to Company shareholders	708,807	588,307	690,970
Non-controlling interests	531,715	32,508	538,938
<u>Total equity</u>	<u>1,240,522</u>	<u>620,815</u>	<u>1,229,908</u>
	<u>6,422,400</u>	<u>2,198,892</u>	<u>6,006,830</u>

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

16 May 2022

Date of approval of the
financial statements

Avi Israeli
Director Authorized by
the Board of Directors

Zvika Schwimmer
Chief Executive
Officer

Yehonatan Tsabari
Chief Financial
Officer

Consolidated Statements of Profit and Loss

	For the three months ended at 31 March		For the year ended at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
Revenues from sales and provision of services	1,450,490	697,244	4,648,546
Cost of sales and provision of services	1,028,723	516,908	3,349,001
Gross profit	421,767	180,336	1,299,545
Selling and marketing expenses	(342,923)	(120,797)	(988,661)
Administrative and general expenses	(23,103)	(9,154)	(80,718)
Research and development expenses	(1,005)	(1,940)	(6,231)
Other income (expenses), net	30,979	(2,979)	41,664
Operating income	85,715	45,466	265,599
Financing income	1,041	2,158	6,555
Financing expenses	(27,545)	(1,016)	(68,681)
Profit before taxes on income	59,211	46,608	203,473
Taxes on income	(17,331)	(11,004)	(31,597)
Net income	41,880	35,604	171,876
<u>Net income (loss) attributable to:</u>			
Company shareholders	46,604	35,081	164,113
Non-controlling interests	(4,724)	523	7,763
	41,880	35,604	171,876
<u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>	2.12	1.60	7.47
<u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>	2.08	1.57	7.33
Weighted number of shares used in calculating base net earnings per share	21,942,049	21,991,066	21,979,919
Weighted number of shares used in calculating diluted net earnings per share	22,352,574	22,361,660	22,374,761

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	For the three months ended at 31 March		For the year ended at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
Net earnings	41,880	35,604	171,876
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	-	-	(28)
<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	-	(262)	(322)
Transfer to profit or loss from sale of foreign operations	-	-	8,357
Transfer to statement of profit and loss with respect to cashflow hedging transactions	-	(1,345)	(1,345)
Income with respect to cashflow hedging transactions	82	3,403	3,687
Total other comprehensive income	82	1,796	10,349
Total comprehensive income	41,962	37,400	182,225
<u>Comprehensive profit (loss) attributable to:</u>			
Company shareholders	46,686	36,877	175,178
Non-controlling interests	(4,724)	523	7,047
	41,962	37,400	182,225

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 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		
	(Unaudited)												
	NIS Thousands												
<u>Balance as at 1 January 2022 (audited)</u>	73,150	430,661	(65,811)	4,362	(2,659)		4,591	(5,125)	(316)	252,117	690,970	538,938	1,229,908
Total comprehensive profit (loss)	-	-	-	-	-		-	-	82	46,604	46,686	(4,724)	41,962
Cost of share-based payments	-	-	-	-	-		1,151	-	-	-	1,151	-	1,151
Dividends declared to Company shareholders	-	-	-	-	-		-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends paid to holders of non-controlling interests	-	-	-	-	-		-	-	-	-	-	(600)	(600)
Dividends declared to non-controlling interests	-	-	-	-	-		-	-	-	-	-	(1,899)	(1,899)
<u>Balance as at 31 March 2022</u>	<u>73,150</u>	<u>430,661</u>	<u>(65,811)</u>	<u>4,362</u>	<u>(2,659)</u>		<u>5,742</u>	<u>(5,125)</u>	<u>(234)</u>	<u>268,721</u>	<u>708,807</u>	<u>531,715</u>	<u>1,240,522</u>

	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 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		
	(Unaudited)												
	NIS Thousands												
<u>Balance as at 1 January 2021 (audited)</u>	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 profit (loss)	-	-	-	-	-	(262)	-	-	2,058	35,081	36,877	523	37,400
Cost of share-based payments	-	-	-	-	-		206	-	-	-	206	-	206
Dividends declared to Company shareholders	-	-	-	-	-		-	-	-	(40,000)	(40,000)	-	(40,000)
<u>Balance as at 31 March 2021</u>	<u>73,150</u>	<u>430,661</u>	<u>(58,468)</u>	<u>4,362</u>	<u>(2,659)</u>	<u>(8,297)</u>	<u>2,886</u>	<u>(5,813)</u>	<u>(600)</u>	<u>153,085</u>	<u>588,307</u>	<u>32,508</u>	<u>620,815</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 2021	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	-	688	2,342	164,113	175,178	7,047	182,225	
Cost of share-based payments	-	-	-	-	-	-	1,911	-	-	-	1,911	-	1,911	
Buyback of Company shares	-	-	(7,343)	-	-	-	-	-	-	-	(7,343)	-	(7,343)	
Non-controlling interests created in companies consolidated for the first time	-	-	-	-	-	-	-	-	-	-	-	499,906	499,906	
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	-	(70,000)	(70,000)	-	(70,000)	
Balance as at 31 December 2021	73,150	430,661	(65,811)	4,362	(2,659)	-	4,591	(5,125)	(316)	252,117	690,970	538,938	1,229,908	

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 three months ended at 31 March		For the year ended at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
<u>Cash Flows from Current Operations</u>			
Net earnings	41,880	35,604	171,876
Adjustments required for presenting cash flows from current operations:			
Adjustments to profit and loss items:			
Depreciation and amortization	68,654	18,549	194,199
Impairment of intangible assets and goodwill	-	-	131
Impairment (increase) of investment property	(30,953)	131	(51,117)
Cost of share-based payments	1,151	206	1,911
Loss from disposal of operations, net	-	-	6,332
Capital loss from disposal of property, plant, and equipment	-	-	5,774
Deferred taxes, net	6,330	3,211	(13,226)
Change in employee benefit liabilities, net	(121)	345	3,898
Other adjustments	(94)	(28)	(9,575)
	44,967	22,414	138,327
Changes in assets and liabilities items:			
Increase in trade receivables (including long-term receivables)	(3,109)	(25,156)	(46,866)
Decrease in other receivables	12,529	4,091	21,373
Increase in inventory	(107,846)	(129,937)	(234,051)
Increase (decrease) in trade payables	100,648	86,994	(40,101)
Decrease in other payables	(6,374)	(14,537)	(16,744)
	(4,152)	(78,545)	(316,389)
Net cash from (used for) ongoing operations	82,695	(20,527)	(6,186)

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 three months ended at 31 March		For the year ended at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
<u>Cash flows from investment activities</u>			
Acquisition of property, plant, and equipment and intangible assets	(26,468)	(14,318)	(86,670)
Payment of capitalised leasing fees and land development levies	-	-	(7,027)
Capitalisation of costs recognised in investment property	(233)	(256)	(2,173)
Repayment of short-term deposits	-	-	100,149
Investment in marketable securities	-	(70,000)	(70,964)
Payment for acquisition of hedging transactions	-	(382)	(5,587)
Deferred proceeds from disposal of previously consolidated company investment	-	-	2,479
Consideration on account of investment property	-	-	24,063
Acquisition of investment property (See Note 5B, above, for additional details.)	(26,648)	-	-
Proceeds from disposal of property, plant, and equipment	-	-	602
Proceeds from redemption and sale of marketable securities	872	283	88,299
Other investments, net	(2,953)	-	(1,220)
Acquisition of companies consolidated for the first time (A)	-	-	4,941
Proceeds from disposal of investment in previously consolidated company (B)	-	-	4,467
Net cash from (used for) investment operations	<u>(55,430)</u>	<u>(84,673)</u>	<u>51,359</u>
<u>Cash flows from financing operations</u>			
Dividends paid to Company shareholders	-	-	(70,000)
Dividends paid to holders of non-controlling interests	(600)	-	-
Issuance of bonds less cost of issuance	247,087	-	-
Receipt of long-term bank loans	-	-	610,000
Repayment of long-term bank loans	(191,994)	(64,658)	(190,554)
Repayment of loans to others	-	-	(40,560)
Payment of liability to Mega trustees	-	-	(84,345)
Buyback of Company shares	-	-	(7,343)
Payment of leasing liabilities	(48,406)	(9,463)	(115,966)
Short-term bank credit, net	84,642	(1,258)	(118,404)
Net cash from (used for) financing operations	<u>90,729</u>	<u>(75,379)</u>	<u>(17,172)</u>
<u>Exchange differences on cash and cash-equivalent balances</u>	-	689	710
Increase (decrease) in cash and cash equivalents	117,994	(179,890)	28,711
Balance of cash and cash equivalents at beginning of period	344,432	315,721	315,721
Balance of cash and cash equivalents at end of period	<u>462,426</u>	<u>135,831</u>	<u>344,432</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 three months		For the year
	ended at 31 March		ended
	2022	2021	at 31 December 2021
	(Unaudited)		Audited
	NIS Thousands		
(A) Acquisition of companies consolidated for the first time			
Consolidated companies' assets and liabilities as at date of acquisition:			
Working capital (other than cash and cash equivalents)	-	-	829,748
Long-term receivables	-	-	(13,011)
Property, plant, and equipment	-	-	(95,840)
Right of use assets	-	-	(1,394,324)
Intangible assets	-	-	(79,942)
Goodwill	-	-	(1,703,155)
Deferred tax liabilities, net	-	-	5,262
Loans from banks 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
	-	-	4,941
(B) Proceeds from disposal of investment in previously consolidated company			
Consolidated company's assets and liabilities as at date of sale:			
Working capital (other than cash and cash equivalents)	-	-	13,298
Long-term receivables	-	-	248
Property, plant, and equipment	-	-	1,393
Intangible assets	-	-	3,631
Credit from banks and others	-	-	(2,848)
Long-term bank loan	-	-	(5,478)
Other non-current liabilities	-	-	(669)
Income from sale of consolidated company	-	-	2,025
Receivables from disposal of investment in a consolidated company	-	-	(7,133)
	-	-	4,467

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 three months ended at 31 March		For the year ended at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
(C) <u>Significant non-cash activities</u>			
Acquisition of property, plant, and equipment and intangible assets using credit	22,040	10,036	14,768
Acquisition of investment property (See Note 5B, above, for additional details.)	26,340	-	-
Consideration payable from return of leased asset to the lessor	-	-	2,200
Dividends payable to Company shareholders	30,000	40,000	-
Dividends payable to non-controlling interests	1,899	-	-
(D) <u>Additional information on cash flows</u>			
Cash paid over the course of the period for:			
Interest	27,993	2,156	67,360
Taxes on income	15,751	4,216	45,304
Cash received over the course of the period for:			
Interest	631	464	1,750
Taxes on income	6,159	74	9,579

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 31 March 2021

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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 the Pro-Forma Statements of Comprehensive Income for the three-month period ended at 31 March 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 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,
16 May 2022

Kost Forer Gabbay and Kasierer
Accountants

	For the three months ended at 31 March 2021	For the year ended at 31 December 2021
	(Unaudited)	Audited
	NIS Thousands	
Revenues from sales and provision of services	1,457,831	5,898,821
Cost of sales and provision of services	1,043,065	4,213,922
Gross profit	414,766	1,684,899
Selling and marketing expenses	(300,224)	(1,275,165)
Administrative and general expenses	(25,175)	(106,802)
Research and development expenses	(1,940)	(6,231)
Other income (expenses), net	(1,636)	59,339
Operating income	85,791	356,040
Financing income	2,177	6,625
Financing expenses	(30,260)	(117,323)
Income before taxes on income	57,708	245,342
Taxes on income	(10,351)	(31,658)
Net income	47,357	213,684
<u>Net income attributable to:</u>		
Company shareholders	39,284	179,064
Non-controlling interests	8,073	34,620
	47,357	213,684
<u>Net income attributable to Company shareholders (in NIS)</u>		
Base net earnings per share	1.79	8.15
Diluted net earnings per share	1.76	8.00
Weighted number of shares used in calculating base earnings per share	21,991,066	21,979,919
Weighted number of shares used in calculating diluted earnings per share	22,361,660	22,374,761

The accompanying notes constitute an integral part of the Pro-Forma Interim Consolidated Financial Statements.

16 May 2022			
Date of approval of the financial statements	Avi Israeli Director Authorised by the Board of Directors	Zvika Schwimmer Chief Executive Officer	Yehonatan Tsabari Chief Financial Officer

For the three months ended at
31 March 2021

	as previously reported	Bitan Wines and the pro-forma adjustments	Pro-forma data
	(Unaudited)		
	NIS Thousands		
Revenues from sales and provision of services	697,244	760,587	1,457,831
Cost of sales and provision of services	516,908	526,157	1,043,065
Gross profit	180,336	234,430	414,766
Selling and marketing expenses	(120,797)	(179,427)	(300,224)
Administrative and general expenses	(9,154)	(16,021)	(25,175)
Research and development expenses	(1,940)	-	(1,940)
Other income, net	(2,979)	1,343	(1,636)
Operating income	45,466	40,325	85,791
Financing income	2,158	19	2,177
Financing expenses	(1,016)	(29,244)	(30,260)
Income before taxes on income	46,608	11,100	57,708
Tax benefit (taxes on income)	(11,004)	653	(10,351)
Net income	35,604	11,753	47,357
<u>Net income attributable to:</u>			
Company shareholders	35,081	4,203	39,284
Non-controlling interests	523	7,550	8,073
	35,604	11,753	47,357
<u>Net income attributable to Company shareholders (in NIS)</u>			
Base net earnings per share	1.60	0.19	1.79
Diluted net earnings per share	1.57	0.19	1.76
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	22,361,660	-	22,361,660

The accompanying notes constitute an integral part of the Pro-Forma Interim Consolidated Financial Statements.

	For the year ended at 31 December 2021		
	as previously reported	Bitan Wines and the pro-forma adjustments	Pro-forma data
	Audited		
	NIS Thousands		
Revenues from sales and provision of services	4,648,546	1,250,275	5,898,821
Cost of sales and provision of services	3,349,001	864,921	4,213,922
Gross profit	1,299,545	385,354	1,684,899
Selling and marketing expenses	(988,661)	(286,504)	(1,275,165)
Administrative and general expenses	(80,718)	(26,084)	(106,802)
Research and development expenses	(6,231)	-	(6,231)
Other income, net	41,664	17,675	59,339
Operating income	265,599	90,441	356,040
Financing income	6,555	70	6,625
Financing expenses	(68,681)	(48,642)	(117,323)
Income before taxes on income	203,473	41,869	245,342
Taxes on income	(31,597)	(61)	(31,658)
Net income	171,876	41,808	213,684
<u>Net income attributable to:</u>			
Company shareholders	164,113	14,951	179,064
Non-controlling interests	7,763	26,857	34,620
	171,876	41,808	213,684
<u>Net income attributable to Company shareholders (in NIS)</u>			
Base net earnings per share	7.47	0.68	8.15
Diluted net earnings per share	7.33	0.67	8.00
Weighted number of shares used in calculating base earnings per share	21,979,919	-	21,979,919
Weighted number of shares used in calculating diluted earnings per share	22,374,761	-	22,374,761

The accompanying notes constitute an integral part of the Pro-Forma Interim Consolidated Financial Statements.

	For the three months ended at 31 March 2021 <u>(Unaudited)</u>	For the year ended at 31 December 2021 <u>Audited</u>
	<u>NIS Thousands</u>	
Net income	47,357	213,684
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	-	(28)
<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	(262)	(322)
Transfer to profit or loss from sale of foreign operations	-	8,357
Income with respect to cashflow hedging transactions	3,403	3,687
Transfer to statement of profit and loss with respect to cashflow hedging transactions	(1,345)	(1,345)
Total other comprehensive income	<u>1,796</u>	<u>10,349</u>
Total comprehensive income	<u>49,153</u>	<u>224,033</u>
<u>Comprehensive income attributable to:</u>		
Company shareholders	41,080	190,129
Non-controlling interests	8,073	33,904
	<u>49,153</u>	<u>224,033</u>

The accompanying notes constitute an integral part of the Pro-Forma Interim Consolidated Financial Statements.

