

Financial statements as of 30 September 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 30 September 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	4.7 B	Commercial space	326K sq. m.
Market value	2.5B	EBITDA	382M
Net income attributable to shareholders	87M	Dividend declared and paid	60M
Company equity	1.2B	Total Company balance sheet	6.6B
S&P Rating	ilAA-	Financial debt (without IFRS-16)	560M
Branches	297	Number of employees	6.6K

Electra Consumer Products (1970) Ltd.

Board of Directors Report

For the Nine Months Ended at 30 September 2022

The board of directors of Electra Consumer Products (1970) Ltd. respectfully submits the Board of Directors Report on the business affairs of the Company and its consolidated companies (hereinafter: the "**Group**") for the nine-month period ended at 30 September 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 segment**"); 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's 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 during the Reporting Period were adversely affected by the food segment results because of a provision for reorganisation (see Section 1.3 below) and deterioration in this segment's current results primarily during the first half of 2022.

Below is a summary of the Company's financial results for the third quarter and the period of nine months without the food segment:

	Consolidated		Consolidated without retail food segment	
	For the three months ended at 30 September			
	NIS Thousands			
	2022	2021	2022	2021
Sales	1,684,645	1,555,801	946,776	795,727
Operating income before other income, net, and reorganisation expenses	63,414	75,212	50,876	46,827
EBITDA	135,825	147,482	77,146	71,401
Profit (loss) before tax	(27,078)	48,315	45,967	40,204
Net profit (loss)	(20,741)	61,075	52,011	52,963
Net income attributable to Company shareholders	20,475	54,574	49,494	50,125

	Consolidated		Consolidated without retail food segment	
	For the nine months ended at 30 September			
	NIS Thousands			
	2022	2021	2022	2021
Sales	4,658,583	3,151,233	2,520,500	2,149,585
Operating income before other income, net, and reorganisation expenses	173,007	166,590	146,961	128,123
EBITDA	382,307	290,113	224,850	190,069
Income before tax	52,225	173,285	155,495	161,407
Net income	32,767	158,775	133,610	146,897
Net income attributable to Company shareholders	87,086	148,992	125,847	142,701

The Company's results for the nine months ended at 30 September 2022 were characterised by the commencement of operations in additional segments as of the second quarter of 2021.

Electrical consumer products segment sales grew during the third quarter to approximately NIS 400,000,000, compared to approximately NIS 320,000,000 in the previous year, and the segment's operating income came to approximately NIS 29,000,000, similar to the previous year.

Electrical retail segment sales grew during the third quarter to approximately NIS 542,000,000, compared to approximately NIS 471,000,000 in the previous year, and the segment's operating income came to approximately NIS 26,000,000, compared to approximately NIS 24,000,000 in the previous year.

Retail food segment sales decreased during the third quarter to approximately NIS 738,000,000, compared to approximately NIS 760,000,000 in the previous year, and the segment's operating income after neutralisation of other expenses, net, and the segment's reorganisation expenses, came to approximately NIS 13,000,000, compared to approximately NIS 28,000,000 in the previous year.

During the Reporting Period, there was an increase in revenues for the third quarter and first nine months of 2022, amounting to NIS 1,684,645,000 and NIS 4,658,583,000, respectively, compared to NIS 1,555,801,000 and NIS 3,151,233,000 in the previous year, respectively.

During the Reporting Period, there was an increase in operating income after neutralisation of the impact of other income, net, and reorganisation expenses, amounting to NIS 173,007,000, as compared with NIS 166,590,000 in the parallel period of the previous year. Operating income after neutralisation of the effect of other expenses, net, and reorganisation expenses reflects a decrease and amounted to approximately NIS 63,414,000 in the third quarter of 2022, as compared with NIS 75,212,000 in the parallel period of the previous year, because of a decrease in the retail food segment's results. **After neutralisation of the retail food segment results, operating income (expenses) - after neutralisation of the effect of other expenses, net, and reorganisation expenses - during the Reporting Period and in the third quarter of 2022 - amounted to approximately NIS 146,961,000 and NIS 50,876,000, respectively, as compared with NIS 128,123,000 and NIS 46,827,000 in the parallel period of the previous year.**

The Company's EBITDA in the Reporting Period and in the third quarter of 2022 increased and amounted to NIS 382,307,000 and NIS 135,825,000, respectively, compared to NIS 290,113,000 and NIS 147,482,000 in the parallel periods of the previous year, respectively. Most of the increase in the Company's EBITDA during the Reporting Period derived from improved results from the electrical consumer products segment and from the consolidation of the food and other segments.

The Company's income before taxes on income in the Reporting Period and its losses before taxes on income in the third quarter of 2022 reflect a decrease and amounted to NIS 52,225,000 and a loss of NIS 27,078,000, respectively, compared to income before taxes on income in the sum of NIS 173,285,000 and NIS 48,315,000 in the parallel period of the previous year, respectively. The decrease in income before taxes on income primarily derived from reorganisation expenses in the food segment, as noted, from a decrease in other income, net, and from an increase in financing expenses, net. (The previous year, the food segment was only consolidated as of June.)

Net income attributed to the majority shareholders during the Reporting Period and in the third quarter of 2022 amounted to NIS 87,076,000 and NIS 20,475,000, respectively, and reflects a decrease compared to NIS 148,992,000 and NIS 54,574,000 in the parallel periods of the previous year, respectively. After neutralisation of the results of the food segment in the above periods, net income attributed to the majority shareholders during the third quarter of 2022 and in the Reporting Period amounted to NIS 49,494,000 and NIS 125,847,000, respectively, compared to NIS 50,125,000 and NIS 142,701,000 in the parallel periods of the previous year, respectively.

Net cash deriving from current operations during the Reporting Period and during the third quarter of 2022 amounted to the sum of NIS 172,262,000 and the sum of NIS 9,705,000, respectively, as compared with net cash used in current operations in the sum of NIS 24,414,000 and the sum of NIS 77,707,000, respectively, during the parallel period of the previous year. The increase in cash flows from current operations in the Reporting Period as compared with the parallel period of the previous year primarily derived from an improvement in EBITDA in all operating segments in which the Company operates (the previous year, the food segment was consolidated for the first time as of June, Shekem Duty Free was consolidated for the first time into the electrical retail segment as of May, and other segments' operations were consolidated for the first time as of June) and an improvement in working capital structure in the Reporting Period.

1.3 Reorganisation

During the course of the third quarter of the year, the subsidiary, Bitan Wines Ltd., carried out a streamlining and reorganisation plan including, inter alia, operational streamlining of branches and workforce, a decision to close five branches that were operating at a loss, improvement of commercial terms, building and implementing a plan to renovate branches and convert them to Carrefour branches, and more. Pursuant to Bitan Wines's management's plans, Bitan Wines is preparing to accelerate the conversion of its branches and launch 40-50 Carrefour branches during the first half of 2023 in order to achieve national distribution and launch three retail Carrefour formats. Bitan Wines is working to complete the conversion of its stores by the end of 2023.

Bitan Wines has already begun, during the third quarter of the year, to renovate branches and prepare them to launch Carrefour under a temporary brand ("Super"), and as of this date, it has renovated and converted approximately 12 branches and expects to renovate and convert eight additional branches such that by the end of the year, it will have renovated and converted 20 branches. The renovations and conversions that have been carried out thus far, as noted, have already contributed to a significant improvement in said branches' results before their launch as Carrefour branches. The results of converting those branches reinforces Bitan Wines's plans to accelerate the process of launching the Carrefour chain as soon as 2023.

The Company expects that implementation of the streamlining and reorganisation plan, which includes accelerating the conversion of the chain branches to Carrefour, will improve the Company's ability to achieve its targets and fulfil its business strategy in the food segment, principally, the launch of the Carrefour chain as soon as the first half of 2023, which is expected to improve the food segment's EBITDA as of the fourth quarter of 2022 and increase the redemption of its investment in converted stores. Similarly, fulfilment of the plan will enable the effective launch of the loyalty club credit card close in time to the launch of the Carrefour chain.

A provision is included in these financial statements for the reorganisation plan (including provisions for impairment of property, plant, and equipment and other) that has reduced the retail food segment results by the sum of approximately NIS 52,000,000 in the third quarter of 2022. The inclusion of said provision has resulted in a decrease in the Company's net income and the net income attributed to the Company's shareholders in the financial statements for the third quarter of 2022 by the sum of approximately NIS 52,000,000 and approximately NIS 21,000,000, respectively.

1.4 Principal events during the Reporting Period

1.4.1 Changes to the Group companies' structure

During the course of 2021, as part of its growth process, the Company decided on a restructuring in which the retail operations in its subsidiary, Electra Consumer Products (1951) ("ECP 51"), would be split under a separate 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 effective 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. (hereinafter: "Sa'ar"), under which the sports and leisure operations are consolidated, 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.

1.4.2 Issuance of Series A bonds

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. On 17 August, the Company made a private offering of NIS 100,000,000 par value of Series A bonds by way of an expansion of a registered series for classified investors. As of the date of this report, the Series A bonds balance after expansion comes to a total of NIS 350,000,000 par value. See Note 5A to the interim consolidated financial statements for additional details.

1.4.3 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 nine 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.

1.4.4 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 additional 20-year periods with the consent of the parties.

See Note 5H to the interim consolidated financial statements for additional details.

1.4.5 Engagement with Quik Technologies and Investments Ltd. (hereinafter: "Quik")

In March 2022, Bitan Wines entered into a series of agreements with Quik that arranged for the establishment of a new partnership for purposes of carrying out online retail operations for products and services based on the technological platform and operational infrastructure developed by Quik. On 1 August, the conditions precedent for closing said agreements were met, and accordingly, the parties completed the transaction.

See Note 5J to the interim consolidated financial statements for additional details.

1.4.6 [Collaboration agreement with Israel Credit Cards Ltd. \(hereinafter: "Cal"\) and Bank Hapoalim](#)

Further to the Revised Agreement in principle that the Company reached with Cal and Bank Hapoalim, during the course of May 2022, whereby it was agreed that the parties would work toward executing a three-way collaboration agreement in connection with operation of a customer loyalty club based on a non-bank credit card issued by Cal for customers of Bit and customers of the Group's retail chains, the Company executed said agreement on 10 August 2022. See Note 5I to the interim consolidated financial statements for additional details.

1.4.7 [On 3 March 2022, the Company declared the distribution of a dividend in the sum of NIS 30,000,000, which reflects a share price of NIS 1.37. The dividend was paid on 3 April 2022.](#)

1.4.8 [On 10 August 2022, the Company declared the distribution of a dividend in the sum of NIS 30,000,000, which reflects a share price of NIS 1.38. The dividend was paid on 2 October 2022.](#)

1.4.9 [Extension of a domestic heating strategic agreement](#)

Further to the execution of an agreement between a second-tier subsidiary and a European strategic client dated 15 June 2020 in connection with the development, manufacture, and provision of heating systems (the "Original Agreement"), on 22 November 2022, the second-tier subsidiary executed a revision and extension of the Original Agreement until 2026 (the "Revised Agreement"), inter alia, in light of the European gas crisis and the increased demand for energy efficient inverter-based heating products. Under the agreement, the second-tier subsidiary will establish, develop, and manufacture an additional line of products and significantly increase the quantity of manufactured products that will be developed under the Original Agreement.

See Note 10B to the interim consolidated financial statements for additional details.

We note that the Company's assessments relating to the expected increased demand for heating systems and the revenues forecast from the above engagement and the abovementioned sale of heating systems are "forward-facing information" as defined in the Securities Law, 5728-1968, that is based, inter alia, on the Company's assessments in consideration of the quantities that were denominated in the Revised Agreement, the existing demand for such systems, the environment in which the Company operates, and the current exchange rates and may be affected by factors outside the Company's control, including the risk factors inherent in its operations. Accordingly, there is no certainty that what is stated above will be realised, and the actual results may significantly differ from the assessments that are set forth above.

1.4.10 [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

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

	As of September 30		As at
	2022	2021	31 December 2021
	NIS Thousands		NIS Thousands
Current assets	2,160,494	1,813,539	1,941,647
Non-current assets	4,416,828	4,088,354	4,053,082
Total assets	6,577,322	5,901,893	5,994,729
Current liabilities	2,602,858	2,404,727	2,444,569
Non-current liabilities	2,782,781	2,276,791	2,323,352
Total equity	1,191,683	1,220,375	1,226,808
Total liabilities and equity	6,577,322	5,901,893	5,994,729

Assets

The total current assets amounted to approximately NIS 2,160,000,000 as at 30 September 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 the trade receivable balance that had resulted from an increase in sales turnover, from an increase in the other receivables balance, and from an increase in the cash balance, and it was partially offset by a decrease in the inventory balance.

The total non-current assets amounted to approximately NIS 4,417,000,000 as at 30 September 2022, as compared with approximately NIS 4,053,000,000 as at 31 December 2021. The increase primarily derived from an increase in the investment property under construction line that had resulted from the purchase of lots in Rishon Le'Zion (as indicated in Note 5B to the interim consolidated financial statements); an increase in the investment property line that had resulted from revaluation of properties; an increase in the property, plant, and equipment line primarily as a result of investment in branches; an increase in the intangible assets and goodwill line that had resulted from the inclusion of new operations for consolidation; an increase in the right of use assets line that had resulted from the extension of existing rental agreements and entering into new agreements; and an increase in the deferred tax assets balance.

Liabilities

The total current liabilities amounted to approximately NIS 2,603,000,000 as at 30 September 2022, as compared with approximately NIS 2,445,000,000 as at 31 December 2021. The change primarily derived from an increase in the trade payables balance due to an increase in the Company's operations, an increase in short-term credit from banks and others, an outstanding dividend balance, and an increase in current maturities of leasing liabilities.

The total non-current liabilities amounted to approximately NIS 2,783,000,000 as at 30 September 2022, as compared with approximately NIS 2,323,000,000 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, an increase in leasing liabilities corresponding to a parallel increase in the right of use assets line, an increase in other liabilities, and an increase in deferred tax balances.

Shareholder equity

Shareholder equity amounted to approximately NIS 1,192,000,000 as at 30 September 2022, as compared with approximately NIS 1,227,000,000 as at 31 December 2021. The decrease in equity during the Reporting Period primarily derived from a buyback of the Company's shares in the sum of approximately NIS 38,000,000 and from dividends that were paid in the sum of NIS 60,000,000 that were offset by a total profit of approximately NIS 42,000,000, by the transaction principal from transactions with holders of non-controlling interests, and by non-controlling interests that were first created during the Reporting Period in the sum of approximately NIS 18,000,000.

Financial debt, net

The Company's financial debt, net plus a lease liability (IFRS 16) amounted to approximately NIS 2,410,000,000 as at 30 September 2022, as compared with financial debt, net, of approximately NIS 2,018,000,000 as at 31 December 2021.

The Company's financial debt, net, after elimination of leasing liabilities (IFRS 16), amounted to a financial debt, net, of approximately NIS 559,000,000 as at 30 September 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 30 September 2022 compared to 31 December 2021 primarily derived from the acquisition of property, plant, equipment, and other as well as investment property under construction; the acquisition of new operations and companies; payment of a dividend to the Company's shareholders; and a buyback of treasury shares that were partially offset primarily by a positive cash flow from current operations.

Segmental assets and liabilities

	30 September 2022						
	Electrical consumer products segment	Electrical retail segment	Retail food segment	Investment property segment	"Other" segment	Adjustments and other	Total
	NIS Thousands						
Current assets	1,360,793	546,483	415,183	-	177,583	(339,548)	2,160,494
Non-current assets	218,969	431,291	3,099,667	368,464	270,585	27,852	4,416,828
Current liabilities	414,742	882,043	1,209,604	5,342	147,786	(56,659)	2,602,858
Non-current liabilities	661,115	212,522	1,714,277	60,862	132,607	1,398	2,782,781
Financial debt, net	(373,217)	(129,416)	(1,722,711)	(26,007)	(159,148)	-	(2,410,499)
Financial asset (debt), net (without IFRS 16)	(356,150)	76,038	(223,582)	(26,007)	(29,705)	-	(559,406)

30 September 2021

	Electrical consumer products segment	Electrical retail segment	Retail food segment *)	Investment property segment	"Other" segment *)	Adjustments and other	Total *)
NIS Thousands							
Current assets	1,370,497	377,146	345,188	-	122,773	(402,065)	1,813,539
Non-current assets	175,699	413,813	3,025,060	269,700	194,250	9,832	4,088,354
Current liabilities	475,114	676,459	1,167,462	7,500	76,376	1,816	2,404,727
Non-current liabilities	410,195	174,967	1,580,091	4,552	81,236	25,750	2,276,791
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)

31 December 2021

	Electrical consumer products segment *)	Electrical retail segment *)	Retail food segment *)	Investment property segment	"Other" segment *)	Adjustments and other *)	Total
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	2,971,638	269,700	211,735	7,939	4,053,082
Current liabilities	534,683	736,613	1,094,894	7,500	54,478	16,401	2,444,569
Non-current liabilities	412,268	177,188	1,519,830	4,552	107,066	102,448	2,323,352
Financial debt, net	(224,018)	(151,982)	(1,563,000)	-	(79,000)	-	(2,018,000)
Financial asset (debt), net (without IFRS 16)	(203,521)	33,521	(171,000)	-	34,000	-	(307,000)

*) Reclassified.

3 Results of activities

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

	For the nine months ended at September 30		For the year ended at December 31	
	2022	(*)	2021	(*)
Revenues from sales and provision of services	4,658,583		3,151,233	
Cost of sales and provision of services	3,306,801		2,282,405	
Gross profit	1,351,782	29.0%	868,828	27.6%
Selling and marketing expenses	(1,097,413)		(644,579)	
Administrative and general expenses	(76,787)		(51,943)	
Research and development expenses	(4,452)		(5,716)	
Group's share in losses of companies who are treated according to the equity method	(123)		-	
Operating income before other income, net, and reorganisation expenses	173,007	3.7%	166,590	5.3%
Other income, net	21,324		42,412	
Reorganisation expenses	(51,830)		-	
Operating income after other income, net, and reorganisation expenses	142,501	3.1%	209,002	6.6%
Financing income	1,451		6,460	
Financing expenses	(91,727)		(42,177)	
Income before taxes on income	52,225	1.1%	173,285	5.5%
Taxes on income	(19,458)		(14,510)	
Net income	32,767	0.7%	158,775	5.0%

(*) Percentage of turnover

3.1.1 Revenues

The Group's revenues amounted to approximately NIS 4,659,000,000 in the nine-month period ended at 30 September 2022, as compared with approximately NIS 3,151,000,000 in the parallel period of the previous year, an increase of approximately 48%. 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 been fully included in the parallel period of the previous year as well as an increase in sales turnover in the electrical consumer products segment. (See Section 4 below for additional details in connection with reporting on business segments.)

3.1.2 Gross profit

The gross profit rate in the Reporting Period stood at approximately 29% of the sales turnover, as compared with approximately 27.6% in the parallel period of the previous year. The gross profit in the Reporting Period amounted to approximately NIS 1,352,000,000, as compared with approximately NIS 869,000,000 in the parallel period of the previous year, an increase of approximately 55.6%. The increase in gross profit and its rate primarily derived from improved gross profit in the electrical consumer products segment despite the decrease in the value of the euro and its adverse impact on export prices and from improvement in the electrical retail segment as well as from the consolidation of the results of the companies that

were acquired during the course of 2021 that had not been fully included in the parallel period of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.1.3 Selling and marketing expenses

Selling and marketing expenses during the Reporting Period amounted to approximately NIS 1,097,000,000 (approximately 23.6% of sales turnover), compared to approximately NIS 645,000,000 in the parallel period of the previous year (20.5% of sales turnover). 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 been fully included in the parallel period of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.1.4 Administrative and general expenses

Administrative and general expenses in the Reporting Period amounted to approximately NIS 77,000,000 (approximately 1.6% of sales turnover), as compared with approximately NIS 52,000,000 (approximately 1.6% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the consolidation of the retail food segment, which had not yet been fully consolidated during the parallel period of the previous year.

3.1.5 Research and development expenses

Research and development expenses amounted to approximately NIS 4,000,000 in the Reporting Period, as compared with approximately NIS 6,000,000 in the parallel period of the previous year. The decrease in research and development expenses derives from an increase in expenditures that are directed to the development of future products from the climate systems plant (primarily, heating systems for export), which are amortised as an intangible asset and are partially offset by research and development expenses that derived from the retail food segment as a result of the first-time consolidation of the partnership with Quik. (See Note 5J to the interim consolidated financial statements for additional details.)

3.1.6 Operating income before other income, net, and reorganisation expenses

Operating income before other income, net, and reorganisation expenses amounted to approximately NIS 173,000,000 in the Reporting Period, as compared with approximately NIS 167,000,000 in the parallel period of the previous year, an increase of approximately 3.9%.

3.1.7 Other income, net

Other net income amounted to approximately NIS 21,000,000 in the Reporting Period, as compared with other net income of approximately NIS 42,000,000 in the parallel period of the previous year. Income during the Reporting Period and during the previous year primarily derived from the revaluation of investment property owned by the Company.

3.1.8 Reorganisation expenses

Reorganisation expenses during the Reporting Period amounted to the sum of approximately NIS 52,000,000 and derived from the retail food segment. (For additional details, see Section 1.3 above.)

3.1.9 Operating income after other income, net, and reorganisation expenses

Operating income after other income, net, and reorganisation expenses amounted to approximately NIS 143,000,000 in the Reporting Period, as compared with approximately NIS 209,000,000 in the parallel period of the previous year, a decrease of approximately 32%, which primarily derived from reorganisation expenses and a decrease in other income, net, during the Reporting Period, as set forth in Sections 3.1.7 and 3.1.8 above.

3.1.10 Financing income (expenses), net

Financing expenses, net, amounted to approximately NIS 90,000,000 in the Reporting Period, as compared with approximately NIS 36,000,000 in the parallel period of the previous year. The increase in financing expenses, net, primarily derived from the consolidation of the retail food segment, which had not yet been fully consolidated during the parallel period of the previous year, which contributed approximately NIS 35,000,000, from Sa'ar A.T. Entrepreneurship and Trade Co. Ltd's operations, which are presented in the "others" segment, which had not yet been fully consolidated during the parallel period of the previous year, as well as an increase in expenses in respect of exchange rate differences.

3.1.11 Income before taxes on income

Income before taxes on income amounted to approximately NIS 52,200,000 in the Reporting Period, as compared with income before taxes on income of approximately NIS 173,300,000 in the parallel period of the previous year. This decrease in income before taxes primarily derived from a decrease in the food segment's results and reorganisation expenses.

3.1.12 Taxes on income

Taxes on income expenditures amounted to approximately NIS 19,500,000 in the Reporting Period, as compared with taxes on income expenditures of approximately NIS 14,500,000 in the parallel period of the previous year.

3.1.13 Net income

Net income during the Reporting Period amounted to approximately NIS 32,800,000, as compared with approximately NIS 158,800,000 in the parallel period of the previous year. After neutralisation of the effect of the food segment's results during the Reporting Period, as compared with the parallel period of the previous year, net income during the Reporting Period came to approximately NIS 134,000,000, as compared to approximately NIS 146,000,000 in the parallel period of the previous year, which reflects a more moderate decrease in net income during the Reporting Period, which primarily derived from an increase in financing expenses in respect of exchange rate differences.

3.1.14 EBITDA *)

EBITDA amounted to approximately NIS 382,000,000 in the Reporting Period, as compared with approximately NIS 290,000,000 in the parallel period of the previous year, an increase of approximately 32%.

The EBITDA, after neutralisation of the effects of IFRS 16, amounted to approximately NIS 177,000,000 in the Reporting Period, as compared with approximately NIS 186,000,000 in the parallel period of the previous year, a decrease of approximately 4.8%.

*) EBITDA is calculated as earnings before depreciation and amortisation, financing expenses, net, other income (expenses), and taxes on income.

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

	For the three months ended at September 30				For the year ended at December 31	
	2022	(*)	2021	(*)	2021	(*)
Revenues from sales and provision of services	1,684,645		1,555,801		4,648,546	
Cost of sales and provision of services	1,203,606		1,110,553		3,347,446	
Gross profit	481,039	28.6%	445,248	28.6%	1,301,100	28.0%
Selling and marketing expenses	(387,085)		(341,638)		(990,216)	
Administrative and general expenses	(27,922)		(26,570)		(80,718)	
Research and development expenses	(2,495)		(1,828)		(6,231)	
Group's share in losses of companies who are treated according to the equity method	(123)		-		-	
Operating income before other income (expenses), net, and reorganisation expenses	63,414	3.8%	75,212	4.8%	223,935	4.8%
Other income (expenses), net	(11,925)		870		41,664	
Reorganisation expenses	(51,830)		-		-	
Operating income (loss) after other income (expenses), net, and reorganisation expenses	(341)	0%	76,082	4.9%	265,599	5.7%
Financing income	410		(188)		6,555	
Financing expenses	(27,147)		(27,579)		(68,681)	
Profit (loss) before taxes on income	(27,078)	(1.6%)	48,315	3.1%	203,473	4.4%
Tax benefit (taxes on income)	6,337		12,760		(31,597)	
Net profit (loss)	(20,741)	(1.2%)	61,075	3.9%	171,876	3.7%

(*) Percentage of turnover

3.2.1 Revenues

The Group's revenues amounted to approximately NIS 1,685,000,000 in the third quarter of 2022, as compared with approximately NIS 1,556,000,000 in the parallel period of the previous year, an increase of approximately 8.3%. The increase in sales turnover primarily derived from an increase in sales in the electrical consumer products segment and an increase in the electrical retail segment primarily due to an increase in sales in the duty-free shops and the opening of new branches. (See Section 4 below for additional details in connection with reporting on business segments.)

3.2.2 Gross profit

The gross profit rate in the third quarter of 2022 stood at approximately 28.6% of the sales turnover, similar to the previous year. The gross profit in the third quarter of 2022 amounted to approximately NIS 481,000,000, as compared with approximately NIS 445,000,000 in the parallel period of the previous year, an increase of approximately 8%. The increase in gross profit primarily derived from improved gross profit in the electrical consumer products segment primarily from the sale of air conditioners, water products, and heating systems, despite the decrease in the value of the euro and its adverse impact on export prices, and from improvement in the electrical retail segment's gross profit and its percentage. (See Section 4 below for additional details in connection with reporting on business segments.)

3.2.3 Selling and marketing expenses

Selling and marketing expenses amounted to approximately NIS 387,000,000 (approximately 23.0% of sales turnover) in the third quarter of 2022, as compared with approximately NIS 342,000,000 (approximately 22.0% of sales turnover) in the parallel period of the previous year. The increased expenses primarily derived from the electrical retail segment as a result of an increase in sales as well as the food segment, primarily in respect of an increase in wage expenses. (See Section 4 below for additional details in connection with reporting on business segments.)

3.2.4 Administrative and general expenses

Management and general expenses amounted to NIS 28,000,000 (approximately 1.7% of sales turnover) in the third quarter of 2022, as compared to approximately NIS 27,000,000 (approximately 1.7% of sales turnover) in the parallel period of the previous year.

3.2.5 Research and development expenses

Research and development expenses amounted to approximately NIS 2,500,000 in the third quarter of 2022, as compared with approximately NIS 1,800,000 in the parallel period of the previous year. The increase in research and development expenses derives from research and development expenses that derived from the retail food segment as a result of the first-time consolidation of the partnership with Quik.

3.2.6 Operating income before other income, net, and reorganisation expenses

Operating income before other income, net and reorganisation expenses amounted to approximately NIS 63,000,000 in the third quarter of 2022, as compared with approximately NIS 75,000,000 in the parallel period of the previous year. The decrease in operating income before other income, net, and reorganisation expenses primarily derived from a decrease in the retail food market in the sum of approximately NIS 16,000,000 and was partially offset by an increase in other segments.

3.2.7 Other income (expenses), net

Other expenses, net, amounted to approximately NIS 12,000,000 in the third quarter of 2022, as compared with other income, net, of approximately NIS 900,000 in the parallel period of the previous year. Other expenses during the third quarter of 2022 primarily derived from the retail food segment in the sum of approximately NIS 11,000,000.

3.2.8 Reorganisation expenses

Reorganisation expenses during the Reporting Period amounted to the sum of approximately NIS 52,000,000 and derived from the retail food segment. (For additional details, see Section 1.3 above.)

3.2.9 Operating profit (loss) after other income, net, and reorganisation expenses

Operating loss before other expenses, net, and reorganisation expenses amounted to approximately NIS 300,000 in the third quarter of 2022, as compared with profit of approximately NIS 76,000,000 in the parallel period of the previous year. The above loss derived from reorganisation expenses and other expenses in the retail food segment.

3.2.10 Financing income (expenses), net

Financing expenses, net, amounted to approximately NIS 27,000,000 in the third quarter of 2022, as compared with approximately NIS 28,000,000 in the parallel period of the previous year.

3.2.11 Income (losses) before taxes on income

Losses before taxes on income amounted to approximately NIS 27,000,000 in the third quarter of 2022, as compared with income before taxes on income of approximately NIS 48,000,000 in the parallel period of the previous year. After neutralisation of other expenses and neutralisation of the impact of the reorganisation in the food segment, the income before tax amounted to approximately NIS 37,000,000 in the third quarter of 2022, as compared to approximately NIS 47,000,000 in the previous year.

3.2.12 Taxes on income

Income from taxes on income amounted to approximately NIS 6,000,000 in the third quarter of 2022, as compared with a tax benefit in the sum of approximately NIS 13,000,000 in the parallel period of the previous year.

3.2.13 Net profit (loss)

The net loss in the third quarter of 2022 amounted to approximately NIS 21,000,000, as compared with profit in the sum of approximately NIS 61,000,000 in the parallel period of the previous year. After neutralisation of reorganisation and other expenses in the third quarter of 2022, as compared with the parallel period of the previous year, net profit in the third quarter of 2022 came to approximately NIS 43,000,000, as compared to approximately NIS 60,000,000 in the previous year, which reflects a more moderate decrease in net profit in the third quarter of 2022. **After neutralisation of the food segment, net profit during the third quarter of 2022 came to the sum of approximately NIS 52,000,000, similar to the previous year.**

3.2.14 EBITDA *)

The EBITDA in the third quarter of 2022 amounted to approximately NIS 136,000,000, as compared with approximately NIS 147,000,000 in the parallel period of the previous year.

EBITDA, after neutralisation of the effects of IFRS 16, amounted to approximately NIS 66,000,000 in the third quarter of 2022, as compared with approximately NIS 82,000,000 in the parallel period of the previous year.

EBITDA, after neutralisation of the effects of IFRS 16 and neutralisation of the food segment, amounted to approximately NIS 60,000,000 in the third quarter of 2022, as compared with approximately NIS 56,000,000 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.

4 Report on business segments

4.1 Revenues (in NIS Thousands)

	For the nine months ended at September 30			For the three months ended at September 30		
	In NIS Thousands			In NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	1,086,565	959,935	13.2%	399,864	319,938	25.0%
Electrical retail	1,431,957	1,290,315	11.0%	542,409	471,375	15.1%
Retail food	2,138,083	1,001,648	113.5%	737,869	760,074	(2.9%)
Investment property	8,589	8,990	(4.5%)	2,967	2,979	(0.4%)
Other	126,265	27,930	352.1%	38,654	27,930	38.4%
Adjustments and other	(132,876)	(137,585)	(3.4%)	(37,118)	(26,495)	40.1%
Total	4,658,583	3,151,233	47.8%	1,684,645	1,555,801	8.3%

4.2 Segmental income (in NIS Thousands):

	For the nine months ended at September 30			For the three months ended at September 30		
	In NIS Thousands			In NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	105,395	96,843	8.8%	29,468	28,788	2.4%
Electrical retail	59,161	61,619	(4.0%)	26,282	24,183	8.7%
Retail food	26,046	38,467	(32.3%)	12,538	28,385	(55.8%)
Investment property	8,589	8,990	(4.5%)	2,967	2,979	(0.4%)
Other	5,143	(1,625)	(416.5%)	(1,582)	(1,625)	(2.6%)
Adjustments and other	(2,702)	(7,586)	(64.4%)	2,536	2,618	(3.1%)
Total segmental profit	201,632	196,708	2.5%	72,209	85,328	(15.4%)
Other income (expenses), net	21,324	42,412	(49.7%)	(11,925)	870	(1,470.7%)
Reorganisation expenses	(51,830)	-	-	(51,830)	-	-
Unallocated joint expenses	(28,625)	(30,118)	(5.0%)	(8,795)	(10,116)	(13.1%)
Operating profit (loss)	142,501	209,002	(31.8%)	(341)	76,082	(100.4%)

*) The percent change is calculated based on the ratio between the 2022 results and the 2021 results.

4.3 Segmental EBITDA (in NIS Thousands):

	For the nine months ended at September 30			For the three months ended at September 30		
	In NIS Thousands			In NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	125,407	116,114	8.0%	36,811	35,214	4.5%
Electrical retail	97,373	95,217	2.3%	38,500	36,273	6.1%
Retail food	157,457	100,044	57.4%	58,679	76,081	(22.9%)
Investment property	8,589	8,990	(4.5%)	2,967	2,979	(0.4%)
Other	24,091	4,182	476.1%	4,907	4,182	17.3%
Adjustments and other	(1,985)	(4,316)	(54.0%)	2,756	2,867	(3.9%)
Total segmental EBITDA	410,932	320,231	28.3%	144,620	157,596	(8.2%)
Unallocated joint expenses	(28,625)	(30,118)	(5.0%)	(8,795)	(10,114)	(13.0%)
EBITDA	382,307	290,113	31.8%	135,825	147,482	(7.9%)

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

	For the nine months ended at September 30			For the three months ended at September 30		
	In NIS Thousands			In NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	120,785	111,912	7.9%	35,274	33,691	4.7%
Electrical retail	64,408	67,639	(4.8%)	28,327	26,910	5.3%
Retail food	6,363	33,444	(81.0%)	6,551	25,865	(74.7%)
Investment property	8,589	8,990	(4.5%)	2,967	2,979	(0.4%)
Other	9,172	(154)	(6,055.8%)	(7)	(154)	(95.5%)
Adjustments and other	(1,985)	(4,316)	(54.0%)	2,756	2,867	(3.9%)
Total segmental EBITDA	207,332	217,515	(4.7%)	75,868	92,158	(17.7%)
Unallocated joint expenses	(30,064)	(31,229)	(3.7%)	(9,375)	(10,501)	(10.7%)
EBITDA	177,268	186,286	(4.8%)	66,493	81,657	(18.6%)

*) The percent change is calculated based on the ratio between the 2022 results and the 2021 results.

4.5 Explanation of the data that appears in the table

(1) Electrical consumer products

The sales turnover amounted to approximately NIS 1,087,000,000 in the Reporting Period, as compared with approximately NIS 960,000,000 in the parallel period of the previous year, an increase of approximately 13.2%. The increase in income primarily derived from the increased sales of air conditioners in Israel and of heating systems for export. Segmental income after neutralisation of other income, net, amounted to approximately NIS 105,000,000 in the Reporting Period, as compared with approximately NIS 97,000,000 in the parallel period of the

previous year, and primarily derived from increased sales and an increase in the amount of gross profit despite the drop in the euro's value and its adverse effect on export prices.

The sales turnover in the third quarter of 2022 amounted to approximately NIS 400,000,000, as compared with approximately NIS 320,000,000 in the parallel period of the previous year, an increase of approximately 25%. The increase in income primarily derived from the increased sales of air conditioners in Israel and of heating systems for export. Segmental income after neutralisation of other income, net, amounted to approximately NIS 29,000,000 in the third quarter of 2022, similar to the previous year, despite the drop in the euro's value and its adverse effect on export prices during the third quarter of 2022.

(2) Electrical retail

The sales turnover amounted to approximately NIS 1,432,000,000 in the Reporting Period, as compared with approximately NIS 1,290,000,000 in the parallel period of the previous year, an increase of approximately 11%. The sales in the same stores in the segment that fully operated in the Reporting Period decreased in comparison to the parallel period of the previous year by approximately 7.4%.

Monthly average sales per square metre in the same stores amounted to NIS 3,111 per square metre, as compared with NIS 3,371 per square metre in the parallel period of the previous year. The decrease in sales primarily derives from a decrease in the sales of those same stores.

Segmental income after neutralisation of other income, net, amounted to approximately NIS 59,000,000, which constitutes approximately 4.1% of the turnover, in the Reporting Period, as compared with approximately NIS 62,000,000, which constitutes approximately 4.8% of the turnover, in the parallel period of the previous year. The decrease in segmental income primarily derived from said decreased sales in the same stores.

The sales turnover amounted to approximately NIS 542,000,000 in the third quarter of 2022, as compared with approximately NIS 471,000,000 in the parallel period of the previous year, an increase of approximately 15.1%. **The sales in the same stores in the segment that fully operated in the third quarter of 2022 increased in comparison to the parallel period of the previous year by approximately 6.8%, primarily because of duty-free operations.**

Average monthly sales per square metre in same stores amounted to NIS 4,051, as compared with NIS 3,838 per square metre in the parallel period of the previous year, an increase of 5.5%. The increase in sales primarily derived from said increased sales in the same stores.

Segmental income after neutralisation of other income, net, amounted to approximately NIS 26,000,000, which constitutes approximately 4.8% of turnover, in the third quarter of 2022, as compared with approximately NIS 24,000,000, which constitutes approximately 5.1% of turnover, in the parallel period of the previous year, and primarily derived from said increased sales in the same stores.

(3) Retail food

As of 27 May 2021, the Company has been consolidating Bitan Wines's results into its financial statements. The sales turnover and the segmental income in the Reporting Period came to approximately NIS 2,138,000,000 and approximately NIS 26,000,000, respectively.

The sales in the same stores in this segment that fully operated in the Reporting Period decreased by approximately 5.3% as compared to the parallel period of the previous year, pro forma.

Monthly average sales per square metre amounted to NIS 2,042, as compared with NIS 2,195 per square metre in the parallel period of the previous year.

The sales turnover and the segmental income during the third quarter of 2022 came to approximately NIS 738,000,000 and approximately NIS 13,000,000, respectively, compared to revenue turnover and segmental income of approximately NIS 760,000,000 and approximately NIS 28,000,000, in the previous year, respectively.

The sales in the same stores in this segment that fully operated in the third quarter of 2022 decreased by approximately 4.6% as compared to the parallel period of the previous year, primarily as the result of the closing of branches for renovation.

Monthly average sales per square metre amounted to NIS 2,111, as compared with NIS 2,243 per square metre in the parallel period of the previous year.

In light of the food segment's results and with the replacement of the CEO of Bitan Wines in July 2022, Bitan Wines's management began preparing and implementing a reorganisation and streamlining plan, which it began to operate incrementally starting in August 2022, for the establishment of a commercial and operational foundation for growth, the strengthening of competitive ability, dealing with market challenges, implementation of the Carrefour brand as optimally as possible, etc. For additional details regarding the reorganisation plan, see Section 1.3 above.

(4) Investment property

Revenues and segmental income after neutralisation of other income, net, amounted to approximately NIS 9,000,000 during the Reporting Period, which was similar to the parallel period of the previous year.

Revenues and segmental income after neutralisation of other income, net, amounted to approximately NIS 3,000,000 during the course of the third quarter of 2022, which was similar to the previous year.

(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 after neutralisation of other income, net, during the Reporting Period came to approximately NIS 126,000,000 and NIS 5,000,000, respectively.

The sales turnover and the segmental loss during the third quarter of 2022 came to approximately NIS 39,000,000 and approximately NIS 2,000,000, respectively, compared to revenue turnover and segmental loss of approximately NIS 28,000,000 and approximately NIS 2,000,000, in the previous year, respectively. The segmental loss derived from the seasonality of the Company's results, the majority of whose operations take place during the first and fourth quarters of the year.

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)

	1-9.2022		7-9.2022		1-12.2021	
	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 profit (loss)	142,501	96,327	(341)	(15,239)	265,599	231,791
Financing income (expenses), net	(90,276)	(27,618)	(26,737)	(5,503)	(62,126)	(11,007)
Profit (loss) before taxes on income	52,225	68,709	(27,078)	(20,742)	203,473	220,784
Tax benefit (taxes on income)	(19,458)	(19,458)	6,337	6,337	(31,597)	(31,597)
Net profit (loss) from continuing operations	32,767	49,251	(20,741)	(14,405)	171,876	189,187
Net income attributable to Company shareholders	87,086	99,484	20,475	30,082	164,113	212,762
EBITDA	382,307	177,268	135,825	66,493	418,134	248,748



6 Distribution of the sources of financing

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

	For the nine months at September 30		For the three months ended at September 30		For the year ended at 31 December
	2022	2021	2022	2021	2021
In NIS Thousands					
Current operations	172,262	(24,414)	9,705	77,707	(11,773)
Investment operations	(231,530)	78,562	(114,838)	6,305	56,946
Financing	212,231	(11,565)	112,671	(74,350)	(17,172)
Exchange differences on cash balances	-	710	-	89	710
Total cash increase	152,963	43,293	7,538	9,751	28,711

6.2 Cash flows from (to) current operations

Net cash that derived from current operations amounted to approximately NIS 172,000,000 in the Reporting Period, as compared with net cash used in current operations of approximately NIS 24,000,000 in the previous year. The increase in cash flows from current operations in the Reporting Period as compared with the parallel period of the previous year primarily derived from an improvement in segmental results in the electrical consumer products segment and an improvement in working capital structure in the Reporting Period. Consolidation of the results of the companies that were acquired during 2021 that had not yet been fully consolidated during the parallel period of the previous year contributed, during the Reporting Period, net cash that was used in current operations of approximately NIS 33,000,000 after neutralisation of the effects of IFRS 16 - Leases.

Net cash that derived from current operations amounted to approximately NIS 10,000,000 during the third quarter of 2022, as compared with net cash that derived from current operations in the sum of approximately NIS 78,000,000 in the previous year. The decrease in cash flows that derived from current operations in the third quarter of 2022 as compared with the parallel period of the previous year primarily derived from the retail food segment's results.

6.3 Cash flows absorbed by (deriving from) investment operations

Net cash that was absorbed by investment operations amounted to approximately NIS 232,000,000 in the Reporting Period, as compared with net cash that derived from investment operations of approximately NIS 79,000,000 in the parallel period of the previous year. The cash that was used for investment operations in the Reporting Period was used primarily to acquire property, plant, and equipment and other assets, for investment in investment property under construction, and for the acquisition of new companies and operations. Net cash that derived from investment operations in the previous year primarily derived from the redemption of short-term deposits, the disposal of marketable securities, and the receipt of partial proceeds from the disposal of investment property owned by the Company and was partially offset primarily by investment in property, plant, and equipment and other assets as well as by investment in marketable securities. Consolidation of the results of the companies that were acquired during 2021 that had not yet been fully consolidated during the parallel period of the previous year contributed to the acquisition of property, plant, and equipment and other assets in the sum of approximately NIS 80,000,000 in the Reporting Period.

Net cash absorbed by investment operations amounted to approximately NIS 115,000,000 in the third quarter of 2022, as compared with net cash that derived from investment operations of approximately NIS 6,000,000 in the parallel period of the previous year. The cash used for investment operations during the third quarter of 2022 was primarily used to acquire property, plant, and equipment and other assets, for investment in investment property under construction, and for the acquisition of new companies and operations.

6.4 Cash flows from (absorbed by) financing activity

The net cash that derived from financing activity amounted to approximately NIS 212,000,000 in the Reporting Period, as compared with net cash that was absorbed by financing activity of approximately NIS 12,000,000 in the parallel period of the previous year. The net cash that derived from financing activity in the Reporting Period primarily derived from the issuance of bonds offset by repayment of bank loans in the net sum of approximately NIS 147,000,000 and from the receipt of short- and long-term bank loans in the sum of approximately NIS 216,000,000, and it was partially offset primarily by a dividend that was paid to Company shareholders in the sum of NIS 30,000,000, the purchase of treasury shares in the sum of approximately NIS 38,000,000, and payment of lease liabilities in the sum of approximately NIS 139,000,000. The net cash that was used in financing activity in the previous year was primarily used for payment of a dividend that was made to Company shareholders in the sum of NIS 40,000,000, repayment of lease liabilities in the sum of approximately 73,000,000, repayment of long-term bank loans in the sum of approximately NIS 186,000,000, repayment of loans and liabilities to others in the sum of approximately NIS 99,000,000, as well as the net repayment of short-term bank credit in the sum of approximately NIS 124,000,000, which was offset partially primarily by the receipt of long-term loans in the sum of approximately NIS 510,000,000. Consolidation of the results of the companies that were acquired during 2021 that had not yet been fully consolidated during the parallel period of the previous year contributed, in the Reporting Period, net cash that derived from financing activities of approximately NIS 217,000,000 (after neutralisation of the effects of IFRS 16 - Leases).

Net cash that derived from financing activity amounted to approximately NIS 113,000,000 in the third quarter of 2022, as compared with net cash used in financing activity in the sum of approximately NIS 74,000,000 in the parallel period of the previous year. Net cash that derived from financing activity in the third quarter of 2022 primarily derived from expansion of the funds raised by issuing debentures during the third quarter of the year in the sum of approximately NIS 93,000,000 and from bank loans in the sum of approximately NIS 10,000,000. The net cash that was used in financing activity during the third quarter of the previous year was used for payment of lease liabilities in the sum of NIS 38,000,000, payment of liabilities to others in the sum of 58,000,000, repayment of long-term bank loans in the sum of approximately NIS 110,000,000, as well as the net repayment of short-term bank credit in the sum of approximately NIS 39,000,000, which was partially offset by the receipt of long-term bank loans in the sum of approximately NIS 170,000,000.

7 Events after the balance sheet date

For details about events after the balance sheet date, see Note 10 to the interim consolidated financial statements.

8 Buyback plan

On 10 August 2022, the Company's board of directors approved a plan to buy back - from 10 August 2022 and up until 9 August 2025 - up to NIS 100,000,000 of Company shares in lieu of a previous plan to buy back Company shares as approved on 17 November 2019, 15 March 2020, and 17 March 2020.

Future purchases shall take place from time to time on various dates and in various volumes according to Company management's discretion and market opportunities.

See Note 5L to the interim consolidated financial statements for details regarding the buyback of shares in the Company in the Reporting Period.

9 Directors with accounting and financial expertise

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

10 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.

11 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.

During the month of November 2022, the internal auditor announced his intent to commence his retirement process in 2023, and the Company is preparing accordingly.

12 Disclosure regarding critical accounting estimates

See the board of directors report for 31 December 2021.

13 Report on the liabilities position of the Company and the consolidated companies

Data on the Company's liabilities position as at 30 September 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.

14 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 is accurate as at 30 September 2022:

Security	Balance of the par value of the security in circulation (in NIS Thousands)		Financial criterion	Actual criterion as at 30 September 2022
	As at 30 September 2022	Immediately prior to reporting date		
(Series A) Bonds/Debentures	350,000	350,000	Tangible equity – the Company's "solo" tangible equity at the end of the review period (as defined in the trust deed) shall not be less than NIS 350,000,000.	NIS 664,000,000
			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 trust deed) shall not exceed 67%.	9.21%

15 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 and 17 August 2022 in the framework of a private offering to classified investors(4)
2.	Total par value on the date of issue(1)	NIS 250,000,000 par value
	Total par value on the date that the series was expanded(1)	NIS 100,000,000 par value
3.	Par value balance as at 30 September 2022	NIS 350,000,000 par value
4.	Par value balance on the reporting date	NIS 350,000,000 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 30 September 2022	NIS 1,484,000(3)
7.	Market value as at 23 November 2022	NIS 323,600,000
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.

Bonds (Series A)(2)		
Disclosure item		Details about the bonds (Series A)
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 (or has been paid, as applicable) in equal amounts semi-annually on 30 September and 31 December in each of the years 2022 through 2029 (inclusive) such that the first interest payment was on 30 September 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
15.	Fulfilment 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 terms and 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	'ilAA-' (January and February 2022)
3.	Rating on the report publication date	'ilAA-' (September 2022)(5)
4.	Additional ratings between the date of issue and the report date	'ilAA-' (August 2022)

- (1) On 3 February 2022, the Company published a shelf offering report (reference number: 2022-01-013488), included in this report by way of reference, 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 23 November 2022 in respect of the (Series A) bonds is NIS 2,664,000.
- (4) On 17 August 2022, the Company made a private offering of NIS 100,000,000 par value of the Company's (Series A) bonds by way of expanding the series. For details, see the Company's supplemental immediate report dated 16 August 2022 (reference number: 2022-01-084156), which is included in this report by way of reference.
- (5) For details about the updated ratings report for the (Series A) bonds as of the date of the publication of this report, see the Company's immediate report dated 5 September 2022 (reference number: 2022-01-092274), which is included in this report by way of reference.

16 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 30 September 2022, the Company listed, in its consolidated financial statements, negative working capital (net) (current assets less current liabilities) of approximately NIS 442,000,000 and a negative operating capital (net) - which characterises retail operations such as the Company's - of approximately NIS 36,000,000. Similarly, as at that date, the Company has a negative working capital (net) (current assets less current liabilities) of approximately NIS 166,000,000 and a negative operating capital (net), according to the Company's separate (solo) financial data, of approximately NIS 3,000,000.

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 (consolidated and solo) and the shortfall in operating working capital (consolidated and solo) 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.

17 Effects of inflation and increased interest rates on financial disclosure and reporting

Throughout the last several years, inflation rates in Israel have been low and throughout these years, have maintained a range of up to 1%. As of 2021, there has been an increase in inflation rates in Israel and around the world, where the consumer price index in Israel has increased by 2.8% and in 2022, by October 2022, the index has risen by 4.87%. According to the Bank of Israel's research arm, the 2022 rate of inflation is expected to come to 4.6%, and in 2023, it is expected to come to 2.5%. As part of its attempt to slow down the inflation rate in Israel, the Bank of Israel has begun to raise interest starting in April 2022, in a number of increments, from the negligible rate that had prevailed for many years, to its current level of 3.25%, and according to the Bank of Israel forecast, Israel's monetary interest rate is expected to come to 3.5% on average during the third quarter of 2023. The Company has liabilities to banks and other corporations that are linked to the prime rate in the total sum of NIS 707,000,000. In light of the expected increase in bank interest, each 1% increase is expected to increase the Group's interest expenses by approximately NIS 10,000,000 annually. Additionally, the Company pays property owners rent for its branches and offices that is for the most part linked to the consumer price index where every additional 1% increase in the consumer price index is expected to increase rental costs by approximately NIS 3,000,000 annually.

With that, the Group's financial stability, together with its cash balances and the high regular cash flow that it generates, will allow it to continue to finance its operations and meet its obligations.

We note that the Company's assessments - regarding the possible implications of the increase in the prime interest rate and the increase in the consumer price index 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 the Company management's experience with the market (including with economic crises), and accordingly, the materialisation and/or scope of the assessments are uncertain.



18 Linkage bases report for 30 September 2022 (in NIS Thousands)

	Dollars	Euro	Total foreign currency	Unlinked	Linked	Non- monetary	Total
Assets							
Cash and cash equivalents	20,965	3,390	24,355	473,040	-	-	497,395
Short-term investments	-	-	-	588	85	-	673
Trade receivables	3,246	42,486	45,732	666,275	-	-	712,007
Other receivables	28,141	10,153	38,294	29,992	15,382	19,970	103,638
Inventory	-	-	-	-	-	846,781	846,781
Long-term trade and other receivables	-	-	-	15,570	8,961	-	24,531
Investment property under construction	-	-	-	-	-	41,848	41,848
Investment property	-	-	-	-	-	326,616	326,616
Property, plant, and equipment, net	-	-	-	-	-	250,502	250,502
Right of use assets, land	-	-	-	-	-	64,945	64,945
Right of use assets, other	-	-	-	-	-	1,607,139	1,607,139
Goodwill	-	-	-	-	-	1,958,038	1,958,038
Intangible assets	-	-	-	-	-	118,058	118,058
Deferred taxes	-	-	-	-	-	25,151	25,151
Total assets	52,352	56,029	108,381	1,185,465	24,428	5,259,048	6,577,322
Liabilities							
Credit from banks and others	-	-	-	133,885	-	-	133,885
Current maturities of leasing liabilities	-	-	-	-	199,192	-	199,192
Trade payables	77,073	35,248	112,321	1,482,585	-	-	1,594,906
Dividends payable	-	-	-	30,000	-	-	30,000
Other payables	-	-	-	319,174	123,547	201,789	644,510
Loans from banks and others	-	-	-	573,077	-	-	573,077
Bonds/Debentures	-	-	-	340,812	-	-	340,812
Leasing liabilities	-	-	-	-	1,651,901	-	1,651,901
Other non-current liabilities	-	-	-	34,497	-	104,089	138,586
Employee benefit liabilities, net	-	-	-	-	-	33,605	33,605
Deferred taxes	-	-	-	-	-	45,165	45,165
Total liabilities	77,073	35,248	112,321	2,914,030	1,974,640	384,648	5,385,639
Balance of the exposure of assets (liabilities) to the results	(24,721)	20,781	(3,940)	(1,728,565)	(1,950,212)	4,874,400	1,191,683

Daniel Salkind,
Chairman of the Board of Directors

Zvika Schwimmer,
Chief Executive Officer

Date: 24 November 2022

Electra Consumer Products (1970) Ltd.

Interim Consolidated Financial Statements for 30 September 2022

Unaudited

Table of Contents

<u>Topic</u>	<u>Page</u>
Review of Interim Consolidated Financial Statements	2
Consolidated Statements of Financial Position	4-5
Consolidated Statements of Profit and Loss and Other Comprehensive Income	6-7
Consolidated Statements of Changes in Equity	8-12
Consolidated Statements of Cash Flows	13-17
Notes on the Interim Consolidated Financial Statements	14-33

Report of the Auditing Accountant's Review to the Shareholders of Electra Consumer Products (1970) Ltd.

Introduction

We have reviewed the attached financial information for Electra Consumer Products (1970) Ltd. and its subsidiaries (hereinafter: the "Group"), which includes the summary consolidated statement of financial position as at 30 September 2022 and the summary consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for the nine- and three-month periods ended on that date. The board of directors and management are responsible for the preparation and presentation of the financial information for these interim periods pursuant to International Accounting Standard IAS 34 – "Interim Financial Reporting" - and are responsible as well for the preparation of the financial information for these interim periods pursuant to Chapter D to the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding financial information for this interim period 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

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 financial information does not adhere to, in all material respects, the provisions of International Accounting Standard IAS 34.

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 financial information does not adhere to, in all material respects, the disclosure provisions of Chapter D to the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv,
24 November 2022

Kost Forer Gabbay and Kasierer
Accountants

Consolidated Statements of Financial Position

	As at 30 September		As at
	2022	2021	31 December
	(Unaudited)		Audited
	NIS Thousands		
Current assets			
Cash and cash equivalents	497,395	359,014	344,432
Short-term investments	673	11,426	4,344
Trade receivables	712,007	593,716	679,812
Other receivables	103,638	64,476	58,667
Inventory	846,781	784,907*)	854,392
	<u>2,160,494</u>	<u>1,813,539</u>	<u>1,941,647</u>
Non-current assets			
Trade and other receivables	24,531	29,829*)	27,403*)
Investment property under construction	41,848	-	-
Investment property	326,616	269,700	269,700
Property, plant, and equipment, net	250,502	190,588	201,444
Right of use assets, land	64,945	56,331	56,387
Right of use assets, other	1,607,139	1,540,775*)	1,485,749*)
Goodwill	1,958,038	1,892,981*)	1,902,856*)
Intangible assets	118,058	95,131*)	104,511*)
Deferred taxes	25,151	13,019	5,032
	<u>4,416,828</u>	<u>4,088,354</u>	<u>4,053,082</u>
	<u>6,577,322</u>	<u>5,901,893</u>	<u>5,994,729</u>

*) Re-presented – see Note 7 regarding business combinations.

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

Consolidated Statements of Financial Position

	As at 30 September		As at
	2022	2021	31 December
	(Unaudited)		Audited
	NIS Thousands		
<u>Current liabilities</u>			
Credit from banks and others	133,885	19,799	49,327
Current maturities of leasing liabilities	199,192	188,525	172,135
Trade payables	1,594,906	1,492,980	1,573,794
Other payables	644,875	673,423*)	649,313*)
Dividends payable	30,000	30,000	-
	<u>2,602,858</u>	<u>2,404,727</u>	<u>2,444,569</u>
<u>Non-current liabilities</u>			
Loans from banks and others	573,077	545,444	616,500
Bonds/Debentures	340,812	-	-
Leasing liabilities	1,651,901	1,571,258	1,539,903
Other liabilities	138,221	105,171*)	111,120*)
Employee benefit liabilities, net	33,605	36,677	38,552
Deferred taxes	45,165	18,241	17,277
	<u>2,782,781</u>	<u>2,276,791</u>	<u>2,323,352</u>
<u>Equity</u>			
Equity attributed to Company shareholders	664,474	681,801	690,970
Non-controlling interests	527,209	538,574*)	535,838*)
<u>Total equity</u>	<u>1,191,683</u>	<u>1,220,375</u>	<u>1,226,808</u>
	<u>6,577,322</u>	<u>5,901,893</u>	<u>5,994,729</u>

*) Re-presented – see Note 7 regarding business combinations.

24 November 2022

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

Consolidated Statements of Profit and Loss

	For the nine months ended at		For the three months ended at		For the year
	30 September		30 September		ended
	2022	2021 *)	2022	2021 *)	31 December
	(Unaudited)				Audited
	NIS Thousands				
Revenues from sales and provision of services	4,658,583	3,151,233	1,684,645	1,555,801	4,648,546
Cost of sales and provision of services	3,306,801	2,282,405*)	1,203,606	1,110,553*)	3,347,446*)
Gross profit	1,351,782	868,828	481,039	445,248	1,301,100
Selling and marketing expenses	(1,097,413)	(644,579)*)	(387,085)	(341,638)*)	(990,216)*)
Administrative and general expenses	(76,787)	(51,943)	(27,922)	(26,570)	(80,718)
Research and development expenses	(4,452)	(5,716)	(2,495)	(1,828)	(6,231)
Group's share in losses of companies treated according to the equity method, net	(123)	-	(123)	-	-
Operating income before other income (expenses) and reorganisation expenses	173,007	166,590	63,414	75,212	223,935
Other income (expenses), net	21,324	42,412	(11,925)	870	41,664
Reorganisation expenses (Note 5(O))	(51,830)	-	(51,830)	-	-
Operating profit (loss) after other income (expenses) and reorganisation expenses	142,501	209,002	(341)	76,082	265,599
Financing income	1,451	6,460	410	(188)	6,555
Financing expenses	(91,727)	(42,177)	(27,147)	(27,579)	(68,681)
Profit (loss) before taxes on income	52,225	173,285	(27,078)	48,315	203,473
Tax benefit (taxes on income)	(19,458)	(14,510)	6,337	12,760	(31,597)
Net profit (loss)	32,767	158,775	(20,741)	61,075	171,876
Net profit (loss) attributable to:					
Company shareholders	87,086	148,992	20,475	54,574	164,113
Non-controlling interests	(54,319)	9,783	(41,216)	6,501	7,763
	32,767	158,775	(20,741)	61,075	171,876
Basic net earnings per share attributed to Company shareholders (in NIS)	3.99	6.78	0.94	2.48	7.47
Diluted net earnings per share attributed to Company shareholders (in NIS)	3.92	6.66	0.93	2.44	7.33
Weighted number of shares used in calculating base net earnings per share	21,834,717	21,991,066	21,713,055	21,991,066	21,979,919
Weighted number of shares used in calculating diluted net earnings per share	22,242,352	22,385,663	22,109,680	22,383,611	22,374,761

*) Reclassified.

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

Consolidated Statements of Comprehensive Income

	For the nine months ended 30 September		For the three months ended 30 September		For the year ended 31 December
	2022	2021	2022	2021	2021
	(Unaudited)				Audited
	NIS Thousands				
Net profit (loss)	32,767	158,775	(20,741)	61,075	171,876
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	2,303	-	294	-	(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	-	(322)	-	89	(322)
Transfer to profit or loss with respect to sale of foreign operations	-	8,357	-	792	8,357
Income with respect to cash flow hedging transactions	7,139	3,935	6,823	352	3,687
Transfer to statement of profit and loss with respect to cash flow hedging transactions	-	(1,345)	-	-	(1,345)
Total other comprehensive income	9,442	10,625	7,117	1,233	10,349
Total comprehensive income (loss)	42,209	169,400	(13,624)	62,308	182,225
Comprehensive profit (loss) attributable to:					
Company shareholders	95,124	159,617	26,626	55,807	175,178
Non-controlling interests	(52,915)	9,783	(40,250)	6,501	7,047
	42,209	169,400	(13,624)	62,308	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 holders of non-controlling interests	Capital reserve with respect to share-based payments	Capital reserve with respect to rereasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Total equity		
(Unaudited)													
NIS Thousands													
Balance as at 1 January 2022 (audited)	73,150	430,661	(65,811)	4,362	(2,659)	4,591	(5,125)	(316)	252,117	690,970	535,838*	1,226,808	
Total comprehensive profit (loss)	-	-	-	-	-	-	1,951	6,087	87,086	95,124	(52,915)	42,209	
Cost of share-based payments	-	-	-	-	-	3,519	-	-	-	3,519	1,108	4,627	
Transactions with holders of non-controlling interests	-	-	-	-	(27,227)	-	-	-	-	(27,227)	36,636	9,409	
Non-controlling interests created in a partnership consolidated for the first time	-	-	-	-	-	-	-	-	-	-	9,041	9,041	
Buyback of Company shares	-	-	(37,912)	-	-	-	-	-	-	(37,912)	-	(37,912)	
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)	
Dividends declared	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)	
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,499)	(2,499)	
Balance as at 30 September 2022	73,150	430,661	(103,723)	4,362	(29,886)	8,110	(3,174)	5,771	279,203	664,474	527,209	1,191,683	

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 rereasurement 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	-	-	-	-	-	-	-	-	-	-	-	496,806*)	496,806
Dividends 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	538,574	1,220,375

*) Re-presented – see Note 7 regarding business combinations.

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	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 July 2022	73,150	430,661	(100,493)	4,362	(6,977)	6,906	(3,554)	-	288,728	692,783	524,992	1,217,775
Total comprehensive profit (loss)	-	-	-	-	-	-	380	5,771	20,475	26,626	(40,250)	(13,624)
Cost of share-based payments	-	-	-	-	-	1,204	-	-	-	1,204	1,108	2,312
Transactions with holders of non-controlling interests	-	-	-	-	(22,909)	-	-	-	-	(22,909)	32,318	9,409
Non-controlling interests created in a partnership consolidated for the first time	-	-	-	-	-	-	-	-	-	-	9,041	9,041
Buyback of Company shares	-	-	(3,230)	-	-	-	-	-	-	(3,230)	-	(3,230)
Dividends declared	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Balance as at 30 September 2022	73,150	430,661	(103,723)	4,362	(29,886)	8,110	(3,174)	5,771	279,203	664,474	527,209	1,191,683

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders													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	Non-controlling interests		
	(Unaudited)													
	NIS Thousands													
Balance as at 1 July 2021	73,150	430,661	(58,468)	4,362	(2,659)	(881)	3,261	(5,813)	(420)	212,422	655,615	532,073 *)	1,187,688	
Total comprehensive income	-	-	-	-	-	881	-	-	352	54,574	55,807	6,501	62,308	
Cost of share-based payments	-	-	-	-	-	-	379	-	-	-	379	-	379	
Dividends declared	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)	
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	538,574	1,220,375	

*) Re-presented – see Note 7 regarding business combinations.

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				
	(Unaudited)														
	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	-	-	-	-	-	-	-	-	-	-	-	496,806*)	496,806		
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	535,838	1,226,808		

*) Re-presented – see Note 7 regarding business combinations.

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

Consolidated Statements of Cash Flows

	For the nine months ended		For the three months ended		For the year
	30 September		30 September		ended
	2022	2021	2022	2021	31 December
	(Unaudited)				Audited
	NIS Thousands				
Cash Flows from Current Operations					
Net profit (loss)	32,767	158,775	(20,741)	61,075	171,876
Adjustments required for presenting cash flows from current operations:					
Adjustments to profit and loss items:					
Depreciation and amortisation	209,300	123,523	72,411	72,270	194,199
Impairment of intangible assets	-	-	-	-	131
Impairment (increase) of investment property	(30,729)	(51,258)	50	1,624	(51,117)
Impairment of investment property under construction	3,111	-	224	-	-
Cost of share-based payments	4,627	960	2,312	379	1,911
Classification of translation differentials fund relating to disposal of a consolidated company in France	-	8,357	-	792	-
Group's share in losses of companies treated according to the equity method, net	123	-	123	-	-
Loss (profit) on disposal of operations, net	-	(2,025)	-	-	6,332
Capital loss from disposal of property, plant, and equipment	5,483	3,433	4,082	1,290	5,774
Deferred taxes, net	4,512	(19,912)	(257)	(23,529)	(13,226)
Change in employee benefit liabilities, net	(2,131)	2,059	(1,809)	1,194	3,898
Other adjustments (primarily, reorganisation)	36,851	(10,336)	37,178	(11,398)	(15,162)
	231,147	54,801	114,314	42,622	132,740
Changes in assets and liabilities items:					
Decrease (increase) in trade receivables (including long-term receivables)	(28,314)	36,804	(112,119)	(5,653)	(46,866)
Decrease (increase) in other receivables	(31,541)	19,586	(11,035)	17,395	21,373
Decrease (increase) in inventory	16,975	(164,567)	135,787	39,622	(234,051)
Decrease in trade payables	(9,510)	(111,353)	(78,154)	(93,292)	(40,101)
Increase (decrease) in other payables	(39,262)	(18,460)	(18,347)	15,938	(16,744)
	(91,652)	(237,990)	(83,868)	(25,990)	(316,389)
Net cash from (used for) current operations	172,262	(24,414)	9,705	77,707	(11,773)

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

Consolidated Statements of Cash Flows

	For the nine months ended		For the three months ended		For the year
	30 September		30 September		ended
	2022	2021	2022	2021	31 December
	(Unaudited)				Audited
	NIS Thousands				
Cash flows from investment operations					
Acquisition of property, plant, and equipment and intangible assets	(113,946)	(58,661)	(38,638)	(19,668)	(86,670)
Payment of capitalised leasing fees and land development levies	(9,118)	(6,823)	(9,018)	(250)	(7,027)
Capitalisation of costs recognised in investment property	(499)	(2,018)	(50)	(1,635)	(2,173)
Repayment of short-term deposits	-	100,149	-	-	100,149
Investment in marketable securities	-	(70,964)	-	-	(70,964)
Deferred proceeds from disposal of investment in previously consolidated company	2,421	-	-	-	2,479
Proceeds on account of investment property	-	24,063	-	24,063	24,063
Repayment of previously consolidated company loans	3,528	1,929	-	1,929	-
Acquisition of investment property under construction (See Note 5B, below, for additional details.)	(44,959)	-	(376)	-	-
Proceeds from disposal of property, plant, and equipment	258	-	60	-	602
Proceeds from redemption and sale of marketable securities	3,497	81,479	2,646	1,866	88,299
Cash released from escrow in the acquisition of a subsidiary	5,000	-	5,000	-	-
Other investments, net	(2,625)	-	625	-	(1,220)
Net payment for consolidated operations (For additional details, see Note 5(T) below.)	(49,660)	-	(49,660)	-	-
Acquisition of companies consolidated for the first time (A)	(25,427)	4,941	(25,427)	-	4,941
Proceeds from disposal of investment in previously consolidated company (B)	-	4,467	-	-	4,467
Net cash from (used for) investment operations	(231,530)	78,562	(114,838)	6,305	56,946

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

Consolidated Statements of Cash Flows

	For the nine months ended		For the three months ended		For the year
	30 September		30 September		ended
	2022	2021	2022	2021	31 December
	(Unaudited)				Audited
	NIS Thousands				
Cash flows from financing activity					
Dividends paid to Company shareholders	(30,000)	(40,000)	-	-	(70,000)
Dividends paid to holders of non-controlling interests	(2,499)	-	-	-	-
Issuance of bonds less cost of issuance	340,347	-	93,260	-	-
Receipt of long- and short-term bank loans	216,340	510,000	10,000	170,000	610,000
Repayment of long-term bank loans	(193,244)	(185,502)	(625)	(109,609)	(190,554)
Receipt (repayment) of loans from others	14,700	(40,560)	14,700	-	(40,560)
Payment of liability to Mega trustees	-	(58,000)	-	(58,000)	(84,345)
Buyback of Company shares	(37,912)	-	(3,230)	-	(7,343)
Payment of leasing liabilities	(139,475)	(73,463)	(46,891)	(37,602)	(115,966)
Short-term bank credit, net	43,974	(124,040)	45,457	(39,139)	(118,404)
Net cash from (used for) financing activity	212,231	(11,565)	112,671	(74,350)	(17,172)
<u>Exchange differences for cash and cash-equivalent balances</u>	-	710	-	89	710
<u>Increase in cash and cash equivalents</u>	152,963	43,293	7,538	9,751	28,711
<u>Balance of cash and cash equivalents at beginning of period</u>	344,432	315,721	489,857	349,263	315,721
<u>Balance of cash and cash equivalents at end of period</u>	497,395	359,014	497,395	359,014	344,432

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

Consolidated Statements of Cash Flows

	For the nine months ended		For the three months ended		For the year ended
	30 September		30 September		31 December
	2022	2021*)	2022	2021*)	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)	6,102	821,930	6,102	-	821,930
Long-term receivables	-	(15,011)	-	-	(15,011)
Property, plant, and equipment	(3,354)	(95,840)	(3,354)	-	(95,840)
Right of use assets	3,298	(1,378,303)	3,298	-	(1,378,303)
Intangible assets	(18,131)	(79,353)	(18,131)	-	(79,353)
Goodwill	(55,182)	(1,705,664)	(55,182)	-	(1,705,664)
Deferred tax liabilities, net	999	5,262	999	-	5,262
Loans from banks and others and bank credit	13,065	338,776	13,065	-	338,776
Leasing liabilities	1,789	1,569,813	1,789	-	1,569,813
Other non-current liabilities	7,537	28,961	7,537	-	28,961
Employee benefit liabilities, net	-	17,564	-	-	17,564
Non-controlling interests	18,450	496,806	18,450	-	496,806
	(25,427)	4,941	(25,427)	-	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	-	-	13,298
Long-term receivables	-	248	-	-	248
Property, plant, and equipment	-	1,393	-	-	1,393
Intangible assets	-	3,631	-	-	3,631
Credit from banks and others	-	(2,848)	-	-	(2,848)
Long-term bank loan	-	(5,478)	-	-	(5,478)
Other non-current liabilities	-	(669)	-	-	(669)
Income from sale of consolidated company	-	2,025	-	-	2,025
Receivables from disposal of investment in a consolidated company	-	(7,133)	-	-	(7,133)
	-	4,467	-	-	4,467
*) Re-presented – see Note 7 regarding business combinations.					

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

Consolidated Statements of Cash Flows

	For the nine months ended 30 September		For the three months ended 30 September		For the year ended 31 December
	2022	2021	2022	2021	2021
	(Unaudited)				Audited
	NIS Thousands				
(C) Significant non-cash activities					
Acquisition of property, plant, and equipment and intangible assets using credit	36,830	5,193	36,830	5,193	14,768
Dividends payable	30,000	30,000	30,000	30,000	-
Consideration payable from return of leased asset to the lessor	-	-	-	-	2,200
Receivables from disposal of investment in a consolidated company	2,107	7,133	-	-	4,255
Increase in right of use asset against leasing liabilities	264,872	-	102,574	-	128,806
(D) Additional information on cash flows					
Cash paid over the course of the period for:					
Interest	86,259	41,514	30,127	18,617	67,360
Taxes on income	61,616	33,348	20,230	13,291	45,304
Cash received over the course of the period for:					
Interest	1,110	1,565	411	170	1,750
Taxes on income	7,431	8,618	-	-	9,579

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