

Financial Statements for 2021

Electra Consumer Products (1970) Ltd

Electra Consumer Products (1970) Ltd.

Legal Disclaimer

The attached is a convenience translation of the Board of Directors report on the state of the corporation's affairs, the consolidated statement of financial position, the consolidated statements of profit and loss ("P&L"), the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows as of 31 December 2021 for Electra Consumer Products (1970) Ltd. (the "**Company**") published by the Company through the MAGNA filing system (the "**Hebrew Version**"). This English version is partial and for convenience purposes only. This is not an official translation and has no binding effect. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

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Electra Consumer Products (1970) Ltd. in Numbers

Revenues	4.6B	EBITDA	418M
Market value	4.3B	Dividend declared and paid	100M
Net income attributable to shareholders	164M	Share yield during the reporting period	52.3%
Company equity	1.2B	Total Company balance sheet	6B
S&P Rating	ilAA-	Financial debt (without IFRS-16)	307M
Branches	267		
Commercial space	227K sq. m.	Number of employees	6.6K

Electra Consumer Products (1970) Ltd.

Board of Directors Report

The board of directors of Electra Consumer Products (1970) Ltd. respectfully submits its report on the state of the Company's business and that of its consolidated companies (the "Group") for the year ended at 31 December 2021.

1. General

1.1 Description of the Group's business

The Group operates in four fields of activity, which are also reported as operating segments in its financial statements, as follows: the **first** – the import, manufacture, export, marketing, sale, and distribution of electrical consumer products and the provision of services for these products as well as the import, manufacture, distribution, and marketing of solar-powered systems ("**electrical consumer products**"); the **second** - the operation of retail marketing chains for the sale of electrical consumer products and cellular telephones and accessories (the "**electrical retail segment**"); the **third** - the operation of retail marketing chains for the sale of food and other products (the "**retail food segment**") (as of the financial statements for 30 June 2021, the Company has been presenting Bitan Wines' operations and the operations of 7-Eleven, which have not yet commenced, as a separate operating segment); the **fourth** – the development and construction of investment property (the "**investment property segment**"). The Group also operates in other segments, including camping, sports, and leisure.

1.2 Description of the Company's business environment and trends

The year 2021 (hereinafter: the "**Reporting Period**") was characterised by the implementation of the Company's strategy to continue growing by establishing and founding chains, brands, and products that will become the consumer's preference. Similarly, the Company is taking action to continue securing the leadership position of its existing operations. Said growth included, *inter alia*, the closing of transactions that the Group started toward the end of 2020 and the beginning of 2021, which included, *inter alia*, the sale of a company and the acquisition of control in new companies by the end of the second quarter of 2021 (Q2-2021) and the initiation of the absorption thereof, including implementation of preliminary work plans for the acquired operations as set forth below.

The Company's 2021 results were characterised by improvements in all parameters in all of the operating segments in which the Company is engaged as well as by the commencement of additional operating segments activity.

The Company's 2021 results reflect an improvement, which has been expressed in an increase in revenues for 2021 that amounted to NIS 4,648,546,000 as compared with NIS 2,573,373,000 in the previous year; an increase in operating profit for 2021 that amounted to NIS 265,599,000 as compared with NIS 130,366,000 in the previous year; an increase in profit before income taxes in 2021 that amounted to NIS 203,473,000 as compared with NIS 119,352,000 in the previous year; an improvement in net profit from continuing operations that amounted to NIS 171,876,000 as compared with NIS 90,445,000 in the previous year; and an improvement in EBITDA that amounted to NIS 418,134,000 as compared with NIS

201,349,000 in the previous year.

For the first time, during the course of the second quarter of the year (beginning in the month of June), Bitan Wines' results were included in the Group's results (in the retail food segment). The first-time consolidation of Bitan Wines during the Reporting Period contributed the sum of NIS 1,703,626,000 to revenue turnover and the sum of NIS 45,602,000 to operating profit, and the retail food segment operations contributed NIS 153,763 to the EBITDA. (For additional details regarding the acquisition of Bitan Wines, see Section 1.3.1 below.)

Net cash used in regular operations amounted to approximately NIS 6,186,000 during the course of 2021 as compared with net cash that derived from regular operations in the sum of in the sum of NIS 294,695,000 in the previous year. The decrease in cash flows from regular operations during the Reporting Period as compared to the parallel period in the previous year primarily derived from an increase in the procurement of inventories during the Reporting Period - primarily, as a result of increased sales and the uncertainty prevailing around the globe both as to (primarily maritime) shipping as well as merchandise shortages and price increases - and secondarily, as a result of an increase in the variety of products and the opening of new branches.

1.3 Principal events during the Reporting Period and thereafter

1.3.1 Acquisition of Control of Bitan Wines

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

After the fulfilment of the conditions precedent, on 27 May 2021, the subsidiary invested and acquired shares in Bitan Wines that constitute approximately 35.07% of its share capital, fully diluted. As of said date, the Group incorporates the results of Bitan Wines's operations into its financial statements.

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

As of the date of this report,¹ Bitan Wines operates a retail food chain under the brands, "Mehadrin Market," "Mega," and "Bitan Wines," and owns approximately 151 branches spread across the country.

See Note 5A to the Consolidated Financial Statements for additional details in connection with the agreements and the structure of the transaction.

1.3.2 Execution of a Full Franchise Agreement With 7-Eleven, Inc.

On 11 October 2021, the Company and its subsidiary, Electra Consumer Products (1951) Ltd., executed a full franchise agreement with 7-Eleven, Inc. In the franchise agreement, the parties agreed that the franchise term would be 20 years with options to extend the term by up to a maximum of 50 additional years subject to meeting the conditions that were established in the franchise agreement. 7-Eleven's operations in Israel are likely to commence during the course of 2022 and be part of the retail food segment.

¹ In this report, below, the "Reporting Date" is the date on or around which this report is published.

See Note 23D(2) to the Consolidated Financial Statements for additional details in connection with the above franchise agreement.

1.3.3 Engagement in Allocation and Purchase Agreements With Saar A.T. Enterprises and Trade Co. Ltd.

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

See Note 5B to the Consolidated Financial Statements for additional details in connection with the allocation and share purchase agreements.

1.3.4 Engagement in an Allocation Agreement With Office 3000 Ltd. And Office 3000 Duty Ltd.

During the course of October 2021, the remaining conditions precedent to the agreement that the subsidiary executed for acquiring control in the duty-free store were fulfilled, and the Company's subsidiary was allocated 50.01% of Office Duty's issued and paid-up share capital.

See Note 5C to the Consolidated Financial Statements for additional details in connection with the allocation agreement.

1.3.5 Execution of a Detailed Sale Agreement With the Reality Real Estate Investments Fund

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

See Note 12F to the Consolidated Financial Statements for additional details in connection with the above sale agreement.

1.3.6 Sale of Airwell Residential SAS

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

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

1.3.7 Entry into the Solar Power Industry

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

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

1.3.8 Rating

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

1.3.9 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.

See Note 29A to the Consolidated Financial Statements for additional details in connection with the issuance of the Series A bonds.

1.3.10 Change in Structure in the Group

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

- A. On 22 March 2021, the Company's board of directors approved the Company's engagement in a splitting agreement (hereinafter: the "**Agreement**") between the Company and ECP 51 and the company that was established on 28 April 2021, in which agreement the electrical retail operations and food retail operations would be split to Electra Retail without consideration and tax-exempt pursuant to Section 105A(1) to the Income Tax Ordinance such that after the completion of the transfer of the electrical and food retail operations, Electra Retail would be the full owner and exclusive holder of the electric and food retail operations, all valid for tax purposes as at 30 June 2021 subject to the fulfilment of the conditions precedent set forth in the Agreement. On 28 November 2021, the Israel Tax Authority's approval was obtained to split the electric and food retail operations as described above. As of the signing date of the financial statements, the conditions precedent that were established in the Agreement, which were, primarily, the banks' consent to such split, have been met.
- B. In February 2022, as part of the restructuring that the Company elected to carry out, ECP 51 and Electra Retail executed an agreement for the transfer of shares in Sa'ar A.T. Enterprises & Trading Ltd., under which the sports and leisure operations are consolidated (hereinafter: "**Sa'ar**"), which shares were held by ECP 51, to Electra Retail in consideration of 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, as set forth in Section 1.3.3 above.
- 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 – for more details, see Section 1.3.2 above), and Electra Retail executed an agreement for the transfer of the convenience store operations. In the framework of the agreement, the franchise

agreement was assigned to Electra Convenience Stores, and Electra Convenience Stores' shares were transferred from ECP 51 to Electra Retail, all in consideration of the sums that ECP 51 paid, on account, up until the transfer date.

1.3.11 Health Emergencies (Implications of the Coronavirus Pandemic on the Group's Operations)

Starting in the first quarter of 2020 (and as of the date of the financial statements), an event with macroeconomic implications has been affecting the world – the spread of the novel coronavirus. As a result, steps were taken in Israel (as well as most other countries around the world) to mitigate exposure to the virus, including restrictions on movement (domestic and international) as well as gatherings; guidelines for quarantine and lockdown; and closure of businesses, entertainment and leisure locations, and the like. March 2021 saw the beginning of a significant decrease in morbidity levels among the Israeli public, primarily as a result of the development of vaccines against the virus, their acquisition in large quantities by the state, and the rapid rate of vaccination of a large portion of the state's population.

In the last two months, new variants of the novel coronavirus, which have been named "Delta" and "Omicron," have begun spreading around the world.

As of the date of the signing of these financial statements, nearly all restrictions have been lifted, including in the framework of the "Green Pass." In the assessment of Company management, as of the date of the signing of these financial statements, there has been no significant impact on the Group's operations and results.

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

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

The Board of Directors' Explanations of the State of the Company's Affairs

2. Financial position:

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

	As at 31 December	
	2021	2020
Current assets	1,941,647	1,440,393
Non-current assets	4,065,183	685,414
Total assets	6,006,830	2,125,807
Current liabilities	2,452,387	1,310,107
Non-current liabilities	2,324,535	192,491
Shareholder equity	1,229,908	623,209
Total liabilities and equity	6,006,830	2,125,807

Assets

- 2.1. The total non-current assets amounted to approximately NIS 1,942,000,000 as at 31 December 2021 as compared with approximately NIS 1,440,000,000 as at 31 December 2020. The increase in current assets primarily derived from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Sa'ar, and Office Duty (for additional details, see Notes 5A, B, and C to the Consolidated Financial Statements) as well as from increased inventory balances that derived from an increase in inventory stocks - primarily, as a result of increased sales and the uncertainty prevailing around the globe both as to (primarily maritime) shipping as well as merchandise shortages and price increases - and secondarily, as a result of an increase in the variety of products and the opening of new branches.
- 2.2. The total non-current assets amounted to approximately NIS 4,065,000,000 as at 31 December 2021 as compared with approximately NIS 685,000,000 as at 31 December 2020. The increase derived primarily from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Sa'ar, and Office Duty (for additional details, see Notes 5A, B, and C to the Consolidated Financial Statements) as well as an increase in the fixed assets line and the right of use assets line as a result of the renewal of the leased vehicle fleet and the opening of new stores as well as the revaluation of the investment properties that derived from the transaction for the sale of investment properties to the Reality Fund. (For additional details, see Note 12F to the Consolidated Financial Statements.)

Liabilities

- 2.3 The total current liabilities amounted to approximately NIS 2,452,000,000 as at 31 December 2021 as compared with approximately NIS 1,310,000,000 as at 31 December 2020. The increase derived primarily from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Sa'ar, and Office Duty (for additional details, see Notes 5A, B, and C to the Consolidated Financial Statements), which was partially offset by the early repayment of a bank loan that was used for the purchase of investment properties.

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2.4 The total non-current liabilities amounted to approximately NIS 2,325,000,000 as at 31 December 2021, as compared with approximately NIS 192,000,000 as at 31 December 2020. The increase derived primarily from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Sa'ar, and Office Duty (for additional details, see Notes 5A, B, and C to the Consolidated Financial Statements) as well as an increase in the leasing liabilities line in accordance with the parallel increase in the right of use assets line as a result of the renewal of the leased vehicle fleet and the opening of new stores and an increase in the long-term loans from banking corporations line that had resulted from obtaining a long-term loan, net during the Reporting Period in the amount of approximately NIS 420,000,000. (For additional details, see Note 19A to the Consolidated Financial Statements.)

Shareholder equity

2.5 Shareholder equity as at 31 December 2021 amounted to approximately NIS 1,230,000,000 (including noncontrolling interests in the sum of approximately NIS 539,000,000) as compared with approximately NIS 623,000,000 as at 31 December 2020. The increase in equity during the Reporting Period primarily derived from comprehensive income in the sum of approximately NIS 182,000,000 and from the first-time consolidation, during the course of the second quarter of the year, of Bitan Wines, Sa'ar, and Office Duty (for additional details, see Notes 5A, B, and C to the Consolidated Financial Statements), which was partially offset by the dividend that was paid during the Reporting Period in the sum of NIS 70,000,000 and the purchase of treasury shares during the Reporting Period in the sum of approximately NIS 7,000,000.

Financial debt, net

2.6. The Company's financial debt, net amounted to approximately NIS 2,018,000 as at 31 December 2021 as compared with financial assets, net of approximately NIS 231,000,000 as at 31 December 2020.

2.7 The Company's financial debt, net, after neutralising leasing liabilities (IFRS 16), amounted to a financial debt, net of approximately NIS 307,000,000 as at 31 December 2021 as compared with a financial asset, net of approximately NIS 362,000,000 as at 31 December 2020. The decrease in the financial asset, net as at 31 December 2021 compared to 31 December 2020 primarily derived from the acquisition of new companies during the second quarter of the year (primarily from the acquisition of Bitan Wines), as noted in Sections 1.3.1, 1.3.2, and 1.3.3 above, and from the consolidation of the financial debt, net that was generated by the first-time consolidation of these new companies that amounted to the sum of NIS 115,000,000. The decrease derived, as well, primarily from cash used to pay a dividend to shareholders in the sum of NIS 70,000,000 and to acquire treasury shares in the sum of NIS 7,000,000; from investment in properties in the sum of NIS 101,000,000; from payment of liabilities for a lease in the sum of NIS 116,000,000; and from payment of liabilities to others in the sum of NIS 125,000,000.

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2.8. Segmental assets and liabilities

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	431,723	263,422	-	118,783	(242,285)	1,941,647
Non-current assets	168,423	401,821	3,210,982	269,700	97,400	(83,143)	4,065,183
Current liabilities	534,683	736,613	1,104,291	7,500	52,899	16,401	2,452,387
Non-current liabilities	412,268	177,188	1,521,013	4,552	107,066	102,448	2,324,535
Financial debt, net	(224,018)	(151,982)	(1,563,000)	-	(79,000)	-	(2,018,000)
Financial asset (debt), net (without IFRS 16)	(203,521)	33,521	(171,000)	-	34,000	-	(307,000)

31 December 2020

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

3. Results of Activities

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

	For the year ended 31 December					
	2021	(*)	2020	(*)	2019	(*)
Revenues from sales and provision of services	4,648,546		2,573,373		2,217,905	
Cost of sales and provision of services	3,349,001		1,951,831		1,724,032	
Gross profit	1,299,545	28.0%	621,542	24.2%	493,873	22.3%
Sales and marketing expenses	(988,661)		(451,353)		(399,797)	
Management and general expenses	(80,718)		(35,421)		(31,211)	
Research and development expenses	(6,231)		(7,244)		(7,827)	
Other income (expenses), net	41,664		2,842		(14,529)	
Operating profit	265,599	5.7%	130,366	5.1%	40,509	1.8%
Financing income	6,555		3,338		4,829	
Financing expenses	(68,681)		(14,352)		(16,395)	
Profit before taxes on income	203,473	4.4%	119,352	4.6%	28,943	1.3%
Taxes on income	(31,597)		(28,907)		(17,154)	
Net income from continuing operations	171,876		90,445		11,789	
Net income from discontinued operations	-		201,259		173,058	
Net profit	171,876	3.7%	291,704	11.3%	184,847	8.3%

(*) Percentage of turnover

3.1.1. Revenues

The Group's revenues amounted to approximately NIS 4,649,000,000 in the Reporting Period as compared with approximately NIS 2,573,000,000 in the parallel period of the previous year, an increase of approximately 80.6%. The increased sales turnover primarily derived from the first-time consolidation of Bitan Wines', Office Duty's, and Sa'ar A.T. Enterprises & Trading's results, which contributed the sum of approximately NIS 1,898,000,000 to the revenue turnover; from an increase in electrical retail segment revenues in the sum of approximately NIS 234,000,000; and from an increase in electrical consumer products segment revenues in the sum of approximately NIS 81,000,000 despite the fact that in the previous year, the sales turnover from this segment included sales from the subsidiary's indirect subsidiary in France, which had been sold during the course of the second quarter of 2021 and whose revenue turnover in the previous year came to the sum of approximately NIS 126,000,000. (See Section 4 below for additional details in connection with reporting regarding business segments.)

3.1.2. Gross profit

The gross profit rate in the Reporting Period stood at approximately 28.0% of the sales turnover as compared with approximately 24.2% in the parallel period of the previous year. The gross profit in the Reporting Period amounted to approximately NIS 1,300,000,000 as compared with approximately NIS 622,000,000 in the parallel period of the previous year, an increase of approximately 109.1%. Consolidation of the results of the acquired companies that were consolidated for the first time, as noted above, contributed approximately NIS 622,000,000 to gross profit. Additionally, the increase in the gross profit derived from the electrical consumer products segment in the sum of approximately NIS 15,000,000 (after neutralising the results of the indirect subsidiary in France of a subsidiary that was disposed of, the increase was in the sum of approximately NIS 37,000,000) as well as from the electrical retail segment (without the duty-free operations) in the sum of approximately NIS 45,000,000.

3.1.3. Sales and marketing expenses

Sales and marketing expenses amounted to the sum of approximately NIS 989,000,000 (21.3% of sales turnover) in the Reporting Period as compared with approximately NIS 451,000,000 (17.5% of sales turnover) in the parallel period of the previous year. Consolidation of the results of the acquired companies that were consolidated for the first time, as noted above, contributed approximately NIS 514,000,000. The additional increase in expenses primarily derived from the electrical retail segment as a result of an increase in salary expenses that derived from an increase in revenue turnover and profitability as well as the opening of new branches compared to savings in rent, employee salaries, and municipal property taxes, which had resulted in the previous year (during the second quarter) from the impact of the Covid pandemic (closed branches and furloughed employees). The additional increase was partially offset by a decrease in sales and marketing expenses in the electrical consumer products segment.

3.1.4. Administrative and general expenses

Administrative and general expenses in the Reporting Period amounted to the sum of approximately NIS 81,000,000 (approximately 1.7% of sales turnover) as compared with approximately NIS 35,000,000 in the parallel period of the previous year (approximately 1.4% of sales turnover). The first-time consolidation of Bitan Wines' results contributed the sum of approximately NIS 44,000,000.

3.1.5. Research and development expenses

Research and development expenses amounted to the sum of approximately NIS 6,200,000 in the Reporting Period as compared with approximately NIS 7,200,000 in the parallel period of the previous year. The decrease derives from the directing of manufacturing inputs to the development of heating systems for Europe at the Company's air conditioner factory, the majority of which have not yet begun to be sold. (See Note 23D.3B to the Interim Consolidated Financial Statements for additional details.)

3.1.6. Other income, net

Other net income amounted to approximately NIS 42,000,000 in the Reporting Period as compared with other net income of approximately NIS 3,000,000 in the parallel period of the previous year. The main income during the Reporting Period derived from income from the revaluation of investment properties in Rishon Le'Zion in the sum of approximately NIS 51,000,000 primarily, resulting from the sale of half of the land to the Reality Fund (for additional details, see Note 12F to the Consolidated Financial Statements), which was offset from other expenses, net from the loss from the subsidiary's disposal of the indirect subsidiary in France (for additional details, see Note 5E to the Consolidated Financial Statements) in the sum of approximately NIS 6,000,000, which primarily derived from the realisation of a loss from the translation differential principal and transactional expenses with respect to the acquisition of various companies in the sum of approximately NIS 4,000,000.

3.1.7. Operating profit

Operating profit amounted to approximately NIS 266,000,000 in the Reporting Period as compared with operating profit of approximately NIS 130,000,000 in the parallel period of the previous year, an increase of approximately 104%. Consolidation of the results of the acquired companies that were consolidated for the first time during the Reporting Period contributed approximately NIS 66,000,000.

3.1.8. Financing expenses, net

Financing expenses, net amounted to the sum of approximately NIS 62,000,000 in the Reporting Period as compared with financing expenses, net of approximately NIS 11,000,000 in the parallel period of the previous year. Consolidation of the results of the acquired companies, which were consolidated for the first time during the Reporting Period (primarily Bitan Wines, which contributed the sum of approximately NIS 55,000,000), contributed approximately NIS 53,000,000 in net financing expenses.

3.1.9. Profit before taxes on income

Profit before taxes on income amounted to the sum of approximately NIS 203,000,000 in the Reporting Period as compared with profit before taxes on income of approximately NIS 119,000,000 in the parallel period of the previous year.

3.1.10. Taxes on income

Expenses for taxes on income amounted to approximately NIS 32,000,000 in the Reporting Period as compared with approximately NIS 29,000,000 in the parallel period of the previous year. Tax expenses during the Reporting Period included the recording of income from deferred tax in the sum of approximately NIS 21,000,000 for carried over losses that had derived from a merger by the Company's subsidiary with its subsidiaries during the Reporting Period. (See Note 23D(5) to the Consolidated Financial Statements for additional details.)

3.1.11. Net income from continuing operations

The net income from continuing operations during the Reporting Period amounted to approximately NIS 172,000,000 as compared with approximately NIS 90,000,000 in the parallel period of the previous year.

3.1.12. Net income from discontinued operations

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

3.1.13. Net earnings

Net income during the Reporting Period amounted to approximately NIS 172,000,000 as compared with approximately NIS 292,000,000 in the parallel period of the previous year.

3.1.14. EBITDA(*)

The EBITDA amounted to approximately NIS 418,000,000 during the Reporting Period as compared with approximately NIS 201,000,000 in the parallel period of the previous year, an increase of approximately 107.7%.

The EBITDA, after neutralising the effects of IFRS 16, amounted to approximately NIS 249,000,000 in the Reporting Period as compared with approximately NIS 165,000,000 in the parallel period of the previous year, an increase of approximately 51.1%.

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

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3. Results of activities by quarter:

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

	Quarter		Quarter		Quarter		Quarter		Quarter	
	10-12/2021	(*)	7-9/2021	(*)	4-6/2021	(*)	1-3/2021	(*)	10-12/2020	(*)
Revenues from sales and provision of services	1,497,313		1,555,801		898,188		697,244		711,348	
Cost of sales and provision of services	1,065,726		1,110,551		655,816		516,908		546,175	
Gross profit	431,587	28.8%	445,250	28.6%	242,372	27.0%	180,336	25.9%	165,173	23.2%
Sales and marketing expenses	(344,952)		(341,640)		(181,272)		(120,797)		(131,444)	
Management and general expenses	(28,775)		(26,570)		(16,219)		(9,154)		(10,022)	
Research and development expenses	(515)		(1,828)		(1,948)		(1,940)		(1,842)	
Other income (expenses), net	(748)		870		44,521		(2,979)		(961)	
Operating profit	56,597	3.8%	76,082	4.9%	87,454	9.7%	45,466	6.5%	20,904	2.9%
Financing income	95		(188)		4,490		2,158		402	
Financing expenses	(26,504)		(27,579)		(13,582)		(1,016)		(9,694)	
Profit before taxes on income	30,188	2.0%	48,315	3.1%	78,362	8.7%	46,608	6.7%	11,612	1.6%
Taxes on income	(17,087)		12,760		(16,266)		(11,004)		(995)	
Net profit	13,101	0.9%	61,075	3.9%	62,096	6.9%	35,604	5.1%	10,617	1.5%

(*) Percentage of turnover

3.2.1. Revenues

The Group's revenues amounted to approximately NIS 1,497,000,000 in the fourth quarter of 2021 as compared with approximately NIS 711,000,000 in the parallel period of the previous year, an increase of approximately 110.5%. The increased sales turnover primarily derived from the consolidation of the results of the acquired companies, which had been consolidated for the first time, which contributed the sum of approximately NIS 809,000,000 to revenue turnover and were offset by a decrease in sales in the electrical consumer products segment, which derived from the sale of the French indirect subsidiary of the Company's subsidiary, which was engaged in the air conditioner industry overseas during the course of the second quarter of 2021 and contributed approximately NIS 32,000,000 to the revenues turnover during the fourth quarter of the previous year (for additional details, see Note 5E to the Consolidated Financial Statements), as well as from a decrease in sales turnover in the electrical retail segment. (For additional details in connection with reporting regarding business segments, see Section 4 below.)

3.2.2. Gross profit

The gross profit rate in the fourth quarter of 2021 stood at approximately 28.8% of the sales turnover as compared with approximately 23.2% in the parallel period of the previous year. The gross profit in the fourth quarter of 2021 amounted to approximately NIS 432,000,000 as compared with approximately NIS 165,000,000 in the parallel period of the previous year, an increase of approximately 161.3%. Consolidation of the results of the acquired companies, which had been consolidated for the first time, as noted above, contributed approximately NIS 270,000,000 to gross profit. The increase in gross profit derived primarily from the gross profitability of new operations that were consolidated for the first time during the Reporting Period.

3.2.3. Sales and marketing expenses

Sales and marketing expenses amounted to approximately NIS 345,000,000 (approximately 23.0% of sales turnover) in the fourth quarter of 2021 as compared with approximately NIS 131,000,000 (approximately 18.5% of sales turnover) in the parallel period of the previous year, an increase of approximately NIS 214,000,000, which derived from the consolidation of the results of the acquired companies, which had been consolidated for the first time, contributing the sum of approximately NIS 225,000,000 and was offset by a decrease in sale and marketing expenses in the electrical consumer products segment.

3.2.4. Administrative and general expenses

Administrative and general expenses amounted to approximately NIS 29,000,000 (approximately 1.9% of sales turnover) in the fourth quarter of 2021 as compared to approximately NIS 10,000,000 (approximately 1.4% of sales turnover) during the parallel period of the previous year. The first-time consolidation of Bitan Wines' results contributed approximately NIS 19,000,000.

3.2.5. Research and development expenses

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

3.2.6. Other expenses, net

Other expenses, net amounted to the sum of approximately NIS 700,000 in the fourth quarter of 2021 as compared with other expenses, net of approximately NIS 1,000,000 in the parallel period of the previous year.

3.2.7. Operating profit

Operating income amounted to approximately NIS 57,000,000 in the fourth quarter of 2021 as compared with approximately NIS 20,900,000 in the parallel period of the previous year, **an increase of approximately 170.7%**. Consolidation of the results of the acquired companies, which had been consolidated for the first time, contributed approximately NIS 27,000,000 to the operating profit.

3.2.8. Financing income (expenses), net

Financing expenses, net amounted to approximately NIS 26,000,000 in the fourth quarter of 2021 as compared with approximately NIS 9,300,000 in the parallel period of the previous year. Consolidation of the results of the acquired companies, which had been consolidated for the first time, contributed approximately NIS 22,000,000 in net financing expenses.

3.2.9 Profit before taxes on income

Income before taxes on income amounted to approximately NIS 30,200,000 in the fourth quarter of 2021 as compared with approximately NIS 11,600,000 in the parallel period of the previous year.

3.2.10 Taxes on income

Expenditures on taxes on income amounted to the sum of approximately NIS 17,000,000 in the fourth quarter of 2021 as compared with the sum of approximately NIS 1,000,000 in the parallel period of the previous year. Tax expenses during the Reporting Period included the recording of tax expenses for prior years in the sum of approximately NIS 6,500,000. (See Note 22A to the Consolidated Financial Statements for additional details in connection with taxes from previous years.)

3.2.11. Net earnings

Net income amounted to the sum of approximately NIS 13,100,000 in the fourth quarter of 2021 as compared with approximately NIS 10,600,000 in the parallel period of the previous year.

3.2.12. (EBITDA) (*)

EBITDA amounted to the sum of approximately NIS 128,000,000 in the fourth quarter of 2021 as compared with approximately NIS 41,000,000 in the parallel period of the previous year, an increase of approximately 209%.

EBITDA, after neutralising the effects of IFRS 16, amounted to approximately NIS 62,000,000 in the fourth quarter of 2021 as compared with approximately NIS 32,000,000 in the parallel period of the previous year, an increase of approximately 95%.

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

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4. Report on business segments

4.1 Revenue (in NIS thousands):

	For the year ended			
	31 December			
	2021	2020	% change (*)	2019
Electrical consumer products (**)	1,239,621	1,158,328	7.0%	1,112,445
Electrical retail	1,779,970	1,545,721	15.2%	1,260,722
Retail food	1,703,626	-	-	-
Investment property	12,003	10,392	15.5%	12,011
Other	90,663	-	-	-
Adjustments and other	(177,337)	(141,068)	25.7%	(167,273)
Total	4,648,546	2,573,373	80.6%	2,217,905

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

(**) After neutralising the results of the French indirect subsidiary of the Company's subsidiary, which was disposed of (see Section 1.3.6 above), the sector's revenues came to approximately NIS 1,211,000,000, NIS 1,032,000,000, and NIS 973,000,000 for 2021, 2020, and 2019, respectively.

4.2 Segmental income (in NIS thousands):

	For the year ended			
	31 December			
	2021	2020	% change (*)	2019
Electrical consumer products (***)	119,142	89,094 (**)	33.7%	36,556 (**)
Electrical retail	87,610	81,993	6.9%	46,836
Retail food	45,602	-	-	-
Investment property	62,749	10,392	503.8%	12,011
Other	10,126	-	-	-
Adjustments and other	(19,720)	(15,692)(**)	25.7%	(23,683)(**)
Total segmental profit	305,509	165,787	84.3%	71,720
Unallocated joint expenses	39,910	35,421	12.7%	31,211
Operating profit	265,599	130,366	103.7%	40,509

4.3 Segmental EBITDA (in NIS thousands):

	For the year ended			
	31 December			
	2021	2020	% change (*)	2019
Electrical consumer products (****)	140,730	111,741	25.9%	62,874
Electrical retail	132,568	118,491	11.9%	84,969
Retail food	153,763	-	-	-
Investment property	12,003	10,392	15.5%	12,011
Other	23,693	-	-	-
Adjustments and other	(4,713)	(3,854)	22.3%	(167)
Total segmental EBITDA	458,044	236,770	93.5%	159,687
Unallocated joint expenses	39,910	35,421	12.7%	31,211
EBITDA	418,134	201,349	107.7%	128,476

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

(**) Reclassified.

(***) After neutralising the results of the French indirect subsidiary of the Company's subsidiary, which was disposed of (see Section 1.3.6 above), the segmental profit came to approximately NIS 119,000,000, NIS 85,000,000, and NIS 34,000,000 for 2021, 2020, and 2019, respectively.

(****) After neutralising the results of the French indirect subsidiary of the Company's subsidiary, which was disposed of (see Section 1.3.6 above), the segmental EBITDA came to approximately NIS 107,000,000, NIS 85,000,000, and NIS 60,000,000 for 2021, 2020, and 2019, respectively.

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

	For the year ended			
	31 December			
	2021	2020	% change (*)	2019
Electrical consumer products (**)	135,081	107,233	26.0%	57,627
Electrical retail	95,293	87,349	9.1%	54,354
Retail food	37,664	-	-	-
Investment property	12,003	10,392	15.5%	12,011
Other	14,830	-	-	-
Adjustments and other	(6,213)	(4,926)	26.1%	(1,392)
Total segmental EBITDA	288,658	200,048	44.3%	122,600
Unallocated joint expenses	39,910	35,421	12.7%	31,211
EBITDA	248,748	164,627	51.1%	91,389

- (*) The percent change is calculated based on the ratio between the 2021 results and the 2020 results.
- (**) After neutralising the results of the French indirect subsidiary of the Company's subsidiary, which was disposed of (see Section 1.3.6 above), the segmental EBITDA, after neutralising the effects of IFRS 16, came to approximately NIS 1,211,000,000, NIS 135,000,000, and NIS 55,000,000 for 2021, 2020, and 2019, respectively.

4.5 Explanation of the data that appears in the table

(1) Electrical consumer products

The sales turnover amounted to approximately NIS 1,240,000,000 in the Reporting Period as compared with approximately NIS 1,158,000,000 in the parallel period of the previous year, an increase of approximately 7.0%. The increase in revenues derived from an increase in the air conditioners sector in Israel - which was partially offset by a decrease in the air conditioners sector overseas, which had resulted from the sale of the subsidiary's indirect subsidiary in France at the start of the second quarter of the year (which, during the Reporting Period, contributed a turnover of approximately NIS 29,000,000, and during the parallel period last year, contributed to a turnover of approximately NIS 126,000,000) - and from an increase in brand commerce. **The segmental profit amounted to the sum of approximately NIS 119,000,000 in the Reporting Period, which constitutes approximately 9.6% of the sales turnover, as compared with approximately NIS 89,000,000, which constitutes approximately 7.7% of the sales turnover, in the parallel period of the previous year. The change in the segmental profit during the Reporting Period as compared with the parallel period of the previous year constitutes an increase of approximately 33.7% and primarily derived from growth in sales and improvement in gross profit. After neutralising the results of the subsidiary's indirect French subsidiary, the segmental profit increased from approximately NIS 85,000,000 in the previous year to approximately NIS 119,000,000, an improvement of approximately 40%.**

The sales turnover amounted to approximately NIS 280,000,000 in the fourth quarter of 2021 as compared with approximately NIS 257,000,000 in the parallel period of the previous year, an increase of approximately 8.9%. The increase in revenues derived from an increase in the air conditioners sector in Israel - which was partially offset by a decrease in the air conditioners sector overseas, which had resulted from the sale of the indirect subsidiary in France at the start of the second quarter, which during the parallel period last year, contributed to a turnover of approximately NIS 32,000,000 - and from an increase in brand commerce. **The segmental profit amounted to the sum of approximately NIS 18,000,000 in the Reporting Period, which constitutes approximately 6.5% of the sales turnover, as compared with approximately NIS 7,000,000, which constitutes approximately 2.7% of the sales turnover, in the parallel period of the previous year. The change in the segmental profit during the Reporting Period as compared with the parallel period of the previous year constitutes an increase of approximately 157.9% and primarily derived from growth in sales and improvement in gross profit.**

After neutralising the results of the subsidiary's indirect French subsidiary, the segmental profit increased from approximately NIS 4,000,000 in the previous year to NIS 18,000,000, an improvement of approximately 350%.

(2) **Electrical retail**

The sales turnover amounted to approximately NIS 1,780,000,000 in the Reporting Period as compared with approximately NIS 1,546,000,000 in the parallel period of the previous year, an increase of approximately 15.2%. The growth derived from the opening of thirteen new branches during the period (and the closing of two branches during the period) and the Company's commencement of operation of a duty-free store.

Monthly average sales per square metre in the same stores amounted to the sum of NIS 3,471 per square metre as compared with NIS 3,579 per square metre in the parallel period of the previous year, a decrease of approximately 3.0%.

The sales in the same stores in the segment that operated fully in the Reporting Period decreased by approximately 2.1% as compared to the parallel period of the previous year.

The decrease in same store sales derived primarily from the fourth quarter sales - see below.

The segmental profit amounted to approximately NIS 88,000,000 in the Reporting Period, which constitutes approximately 4.9% of the sales turnover, as compared with approximately NIS 82,000,000, which constitutes approximately 5.3% of the sales turnover, in the parallel period of the previous year.

The sales turnover amounted to approximately NIS 490,000,000 in the fourth quarter of 2021 as compared with approximately NIS 486,000,000 in the parallel period of the previous year, an increase of approximately 0.8%. The increase derived from the opening of new branches during the Reporting Period, as noted above.

Monthly average sales per square metre in the same stores amounted to the sum of NIS 3,548 per square metre as compared with NIS 4,348 per square metre in the parallel period of the previous year, a decrease of approximately 18.4%.

The sales in the same stores in the segment that operated fully in the Reporting Period decreased by approximately 18.1% as compared to the parallel period of the previous year.

The decrease in same store sales during the fourth quarter derives from the impact of the fifth wave of Covid-19, which resulted in a slow-down in segmental sales.

The segmental profit amounted to approximately NIS 26,000,000 in the Reporting Period, which constitutes approximately 5.3% of the sales turnover, as compared with approximately NIS 27,000,000, which constitutes approximately 5.5% of the sales turnover, in the parallel period of the previous year.

(3) **Retail food**

As noted in Note 5A to the Company's Consolidated Financial Statements, on 27 May 2021, the Company and the subsidiary closed on agreements for the acquisition of control of Bitan Wines. Since then, the Company has been incorporating Bitan Wines' results into its financial statements. The sales turnover and the segmental profit during the Reporting Period came to the sum of approximately NIS 1,704,000,000 and NIS 46,000,000, respectively.

The sales turnover and the segmental profit during the fourth quarter of 2021 came to the sum of approximately NIS 702,000,000 and NIS 8,000,000, respectively.

For a pro-forma analysis of business results, see Note 8 below.

(4) **Investment property**

Segmental revenues and profit amounted to approximately NIS 12,000,000 and approximately NIS 63,000,000, respectively, during the Reporting Period, as compared with segmental revenues and profit of approximately NIS 10,000,000 in the parallel period of the previous year. Segmental revenues derived from rental revenues within the Group, and the increase thereof derived from a one-time credit that was awarded last year because of the Covid pandemic. The increase in segmental profit during the Reporting Period as compared to the previous year primarily derived from the revalued profit from investment property following the execution of an agreement with the Reality Fund in which the Company sold to Reality Fund half (50%) of the Company's ownership rights in the investment property.

(See Note 12F to the Consolidated Financial Statements for additional details in connection with the above sale agreement.)

Revenues and segmental income amounted to approximately NIS 3,000,000 and approximately NIS 3,000,000, respectively, during the fourth quarter of 2021, which was similar to the parallel quarter of the previous year. These revenues derived from rental revenues within the Group.

- (5) **Other** The "other" accounting segment primarily includes operations in the field of camping, sports, and leisure. As noted in Note 5B to the Company's Consolidated Financial Statements, on 22 June 2021, the Company and the subsidiary closed on the acquisition of Sa'ar. As of 1 July 2021, the Company has been incorporating Sa'ar's results into its financial statements. The sales turnover and the segmental profit during the Reporting Period came to the sum of approximately NIS 91,000,000 and NIS 10,000,000, respectively.

The sales turnover and the segmental profit during the fourth quarter of 2021 came to the sum of approximately NIS 63,000,000 and NIS 12,000,000, respectively.

(See Note 5B to the Consolidated Financial Statements for additional details in connection with the acquisition of Sa'ar.)

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)

	1-12/2021		10-12/2021	
	As reported	Without the impact of the implementation of IFRS 16 – Leases	As reported	Without the impact of the implementation of IFRS 16 – Leases
Operating profit	265,599	231,791	56,597	42,987
Financing expenses, net	(62,126)	(11,007)	(26,409)	(6,916)
Income before taxes on income	203,473	220,784	30,188	36,071
Taxes on income	(31,597)	(31,597)	(17,087)	(17,087)
Net income from continuing operations	171,876	189,187	13,101	18,984
Net income attributable to Company shareholders	164,113	212,762	15,121	57,929
EBITDA	418,134	248,748	128,021	61,853

6. Liquidity and sources of financing

The Company's activities are financed by its shareholder equity and by utilising short-term and long-term credit that it receives from banks, debentures, bank loans, and credit card discounting.

7. Distribution of sources of financing (See also Section 19 to Part A of the periodic report.)

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

	For the period of one year ended		
	31 December		
	2021	2020	2019
Cash generated (absorbed) by			
Regular activity	(6,186)	294,695	434,323
Investment activity	51,359	260,931	(69,482)
Financing	(17,172)	(526,733)	(294,015)
Exchange differentials on cash balances	710	143	(194)
Increase in cash and cash equivalents	28,711	29,036	70,632

7.2 Average amount of credit extended to customers as well as credit from suppliers for 2021 and 2020 (in NIS thousands):

	Average amount in trade receivables (in NIS thousands)	
	2021	2020
Electrical consumer products	431,245	397,735
Electrical retail	110,971	76,512
Retail food	97,164	-
Other	24,370	-

	Average amount in trade payables (in NIS thousands)	
	2021	2020
Electrical consumer products	322,859	248,336
Electrical retail	584,931	486,581
Retail food	680,210	-
Other	22,480	-

7.3 Cash flows from regular operations

Net cash used in regular operations amounted to approximately NIS 6,000,000 during the Reporting Period as compared with net cash that derived from regular operations in the sum of approximately NIS 295,000,000 in the previous year. The decrease in cash flow from regular operations during the Reporting Period as compared with the parallel period of the previous year primarily derived from the increased scope of inventories that were acquired during the Reporting Period in the sum of approximately NIS 161,000,000 as compared to a parallel increase in the previous year in the sum of approximately NIS 81,000,000, primarily as a result of increased sales; the uncertainty prevailing around the world in (primarily) maritime shipping; and the deconsolidation of Golan Telecom's results during the previous year, starting August 2020, which had contributed to net cash that had derived from regular operations in the previous year in the sum of approximately 70,000,000. The first-time consolidation of the acquired companies' financial results, which had been consolidated for the first time, contributed approximately NIS 27,000,000 to net cash used for regular operations during the Reporting Period.

7.4 Cash flows generated by investment activity

Net cash that derived from investment activity amounted to approximately NIS 51,000,000 in the Reporting Period as compared with net cash of approximately NIS 261,000,000 that derived from investment activity in the parallel period of the previous year. The cash that derived from investment activity primarily derived from the proceeds from the redemption of a short-term deposit, the net consideration from the disposal of marketable securities, and the consideration on account of the disposal of investment property, which was set off in part primarily by investment in fixed and other assets and investment in development levies in land in Ashkelon. During the parallel period of the previous year, the cash used for investment activity was primarily used for investment in fixed assets and intangible assets, payment of capitalised lease fees for land, investment in marketable securities, and a short-term deposit. Net cash arising from investment activities last year primarily derived from the disposal of an investment in Golan Telecom in August 2020.

7.5. Cash flows absorbed by financing activity

Net cash that was absorbed by financing activity amounted to approximately NIS 17,000,000 in the Reporting Period as compared with net cash of approximately NIS 527,000,000 that was absorbed by financing activity in the parallel period of the previous year. The net cash that was absorbed by financing activity in the Reporting Period was primarily used for - payment of a dividend to shareholders in the sum of NIS 70,000,000, repayment of bank and other loans in the sum of approximately NIS 316,000,000, repayment of short-term credit in the sum of approximately NIS 118,000,000, payment of lease liabilities in the sum of NIS 116,000,000, and the buyback of treasury shares in the sum of NIS 7,000,000 - and was partially offset by the receipt of long-term bank loans in the sum of NIS 610,000,000.

During the parallel period of the previous year, cash from financing activity was primarily used for payment of dividends to shareholders in the sum of NIS 360,000,000, payment of dividends to noncontrolling interests in the sum of NIS 21,000,000, repayment of bank and other loans in the sum of approximately NIS 77,000,000, repayment of short-term credit in the sum of approximately NIS 53,000,000, payment of lease liabilities in the sum of NIS 41,000,000, and the buyback of Company shares in the sum of approximately 10,000,000. It was partially offset by an issuance of equity in a consolidated company to a holder of noncontrolling interests in the sum of approximately NIS 32,000,000 and the receipt of a loan from a holder of noncontrolling interests in the sum of approximately NIS 14,000,000. The first-time consolidation of Bitan Wines', Office Duty's, and Sa'ar Enterprises' financial results contributed the sums of approximately NIS 201,000,000, approximately NIS 19,000,000, and approximately NIS 25,000,000, respectively, to net cash that was absorbed by financing activities during the Reporting Period.

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8. Pro-forma results of business operations

8.1. General

Below are data from the Pro-Forma Consolidated Financial Statements for the years ended 31 December 2021 and 2020 (hereinafter jointly, the “**Pro-Forma Periods**”) pursuant to Article 9A to the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter: the “**Pro-Forma Reports**”).

The Pro-Forma Reports were prepared in order to reflect, in the Company’s financial statements as at 1 January 2019 (hereinafter: the “**Date of the Pro-Forma Consolidation**”), the consolidation of Bitan Wines Ltd. (hereinafter: “**Bitan Wines**”) because of its acquisition by the Company on 27 May 2021, according to the assumptions set forth in Note 4 to the Pro-Forma Consolidated Financial Statements as at 31 December 2021. These explanations should be reviewed in conjunction with the Pro-Forma Consolidated Financial Statements attached to this statement.

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

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

	For the year ended on 31 December	
	2021	2020
	NIS Thousands	
Revenues from sales and provision of services	5,898,821	6,166,899
Cost of sales and provision of services	(4,213,922)	(4,512,961)
Gross profit	1,684,899	1,653,938
Sales and marketing expenses	(1,275,165)	(1,320,566)
Management and general expenses	(106,802)	(110,081)
Research and development expenses	(6,231)	(7,244)
Other income, net	59,339	101,044
Operating profit	356,040	317,091
Financing income	6,625	3,651
Financing expenses	(117,323)	(135,153)
Income before taxes on income	245,342	185,589
Taxes on income	(31,658)	(53,161)
Net income from continuing operations	213,684	132,428
Net income from discontinued operations	-	201,259
Net earnings	213,684	333,687

8.3 Analysis of the pro-forma business results for 2021 compared to the parallel period in the previous year:

8.3.1. Revenues

The Group's pro-forma revenues amounted to approximately NIS 5,899,000,000 in the Reporting Period as compared with approximately NIS 6,167,000,000 in the parallel period of the previous year, a decrease of approximately 4.35%. The decrease in sales turnover primarily derived from the retail food segment, primarily as a result of the sale and closure of branches during the second quarter of the previous year. (For details regarding additional changes in the Group's revenues, see Section 3.1.1 above.)

8.3.2. Gross profit

The pro-forma gross profit rate in the Reporting Period stood at approximately 28.6% of the sales turnover as compared with approximately 26.8% in the parallel period of the previous year. The pro-forma gross profit in the Reporting Period amounted to approximately NIS 1,685,000,000 as compared with approximately NIS 1,654,000,000 in the parallel period of the previous year, an increase of approximately 1.87%. The retail food segment contributed approximately NIS 930,000,000 to gross profit compared to a contribution of NIS 1,032,000,000 in the previous year, a decrease that derived – as noted – from the sale and closing of branches last year. (For details regarding additional changes in the Group's gross profit, see Section 3.1.2 above.)

8.3.3. Sales and marketing expenses

Pro-forma sales and marketing expenses amounted to approximately NIS 1,275,000,000 (21.6% of sales turnover) in the Reporting Period as compared with approximately NIS 1,321,000,000 (21.4% of sales turnover) in the parallel period of the previous year. The decrease in pro-forma sales and marketing expenses derived primarily from the retail food segment as a result of the closing and sale of branches last year. (For details regarding additional changes in the Group's sales and marketing expenses, see Section 3.1.3 above.)

8.3.4. Administrative and general expenses

Pro-forma administrative and general expenses in the Reporting Period amounted to the sum of approximately NIS 107,000,000 (approximately 1.8% of sales turnover) as compared with approximately NIS 110,000,000 (approximately 1.8% of sales turnover) in the parallel period of the previous year. The retail food segment contributed approximately NIS 73,000,000 to pro-forma management and general expenses during the Reporting Period compared to approximately NIS 75,000,000 in the previous year. (For details regarding additional changes in the Group's administrative and general expenses, see Section 3.1.4 above.)

8.3.5. Research and development expenses

Research and development expenses amounted to the sum of approximately NIS 6,200,000 in the Reporting Period as compared with approximately NIS 7,200,000 in the previous year. (For details regarding additional changes in the Group's research and development expenses, see Section 3.1.5 above.)

8.3.6. Other income, net

Pro-forma other income, net amounted to approximately NIS 59,000,000 in the Reporting Period as compared with pro-forma other income, net of approximately NIS 101,000,000 in the parallel period of the previous year. Most of the pro-forma other income, net last year derived from the retail food segment, primarily, from the sale of branches. (For details regarding additional changes in the Group's other income, net, see Section 3.1.6 above.)

8.3.7. Operating profit

Pro-forma operating profit amounted to approximately NIS 356,000,000 in the Reporting Period as compared with operating profit of approximately NIS 317,000,000 in the parallel period of the previous year, an increase of approximately 12%.

8.3.8. Financing expenses, net

Pro-forma financing expenses, net amounted to approximately NIS 111,000,000 in the Reporting Period as compared with pro-forma financing expenses, net of approximately NIS 132,000,000 in the parallel period of the previous year. The retail food segment contributed the sum of approximately NIS 102,000,000 to financing expenses, net in the Reporting Period as compared with financing expenses, net of approximately NIS 120,000,000 in the previous year. The decrease in pro-forma financing expenses, net in the retail food segment primarily derived from a decrease in financing expenses in respect of lease liabilities in light of the sale and closing of branches during the course of 2020.

8.3.9. Profit before taxes on income

Pro-forma profit before taxes amounted to approximately NIS 245,000,000 in the Reporting Period as compared with pro-forma profit before taxes of approximately NIS 186,000,000 in the parallel period of the previous year.

8.3.10. Taxes on income

Pro-forma expenses on taxes on income amounted to approximately NIS 32,000,000 in the Reporting Period as compared with approximately NIS 53,000,000 in the parallel period of the previous year. The retail food segment contributed the sum of approximately NIS 24,000,000 to expenses on taxes on income compared to tax revenues in the sum of approximately NIS 1,000,000 during the Reporting Period. (For details regarding additional changes in the Group's taxes on income, see Section 3.1.10 above.)

8.3.11. Net income from continuing operations

The pro-forma net income from continuing operations during the Reporting Period amounted to approximately NIS 214,000,000 as compared with approximately NIS 132,000,000 in the parallel period of the previous year.

8.3.12. Net income from discontinued operations

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

8.3.13. Net earnings

The pro-forma net earnings during the Reporting Period amounted to approximately NIS 214,000,000 as compared with approximately NIS 334,000,000 in the parallel period of the previous year. The retail food segment contributed the sum of approximately NIS 29,000,000 to the net earnings line during the Reporting Period compared to earnings in the sum of approximately NIS 42,000,000 in the previous year.

8.3.14. (EBITDA)

The pro-forma EBITDA amounted to approximately NIS 547,000,000 in the Reporting Period as compared with approximately NIS 486,000,000 in the parallel period of the previous year, an increase of approximately 12%.

9. Exposure to market risks and how they are managed

9.1. The person in charge of managing market risks at the Company

Chief financial and information systems officer, Mr. Yehonatan Tsabari, in ongoing consultation with members of the Group's management and in consultation with members of the board of directors, manages the Company's market risk. For details about Mr. Yehonatan Tsabari's education, skills, and experience, see Section 26A to Part D to the periodic report.

9.2. Description of market risks

For details about developments in the Company's macroeconomic environment and the impact of the developments on the Company's operations as well as details about the risk factors to which the Company is exposed, see the periodic report, Part A, Sections 6 and 25, respectively.

Most of the Company's exposure is to changes in exchange rates in light of the fact that the Company purchases most of its products/ raw materials in foreign currency and sells them in NIS. The risk inherent in changes in exchange rates is characterised by the Company as an intermediate risk because the Company hedges this risk using a variety of financial instruments available in the market. Similarly, in the event of extreme volatility, the Group can adjust the sales prices of its products. For details, see Note 20 to the Consolidated Financial Statements.

9.3. The Company's market risk management policy

The Group's operations expose it to the risks involved in various financial instruments, such as currency risks, credit risks, and cash flow risks with respect to interest rates. Market risk management is oriented toward economic exposure. The Group's risk management plan focuses on actions to restrict to a minimum, potential negative financial impacts on the Group's financial results. In some cases, the Group uses various financial instruments to hedge exposures to certain risks. Similarly, the Group has credit insurance policies to insure some of its customers' debts pursuant to the amounts and deductibles that are set forth in the aforementioned credit insurance policies.

The Group monitors market risk by means of the Company's management, by means of the Company's CEO and CFO, who report to the Company's board of directors, as well as by means of regular consultation.

9.4. Oversight of the risk management policy and how it is implemented

Members of the Group's management manage risk according to the fields of operations of the Group's companies and the risks relating to those companies' operations. In the framework of the Group's overall risk management, the Group's companies review activities in various financial instruments in order to protect against risks that derive from exchange differentials.

The Group makes use of financial instruments in order to reduce its exposure to these risks. The Group enters, inter alia, into hedging transactions.

10. Aspects of corporate governance

10.1. Directors with accounting and financial expertise

Taking into account their academic education, business experience, skills, and know-how, past and present, of the members of the board of directors, regarding business-accounting subjects as well as financial statement matters, the members of the Company's board of directors who the board of directors views as possessing accounting and financial expertise are: Ms. Orly Ben-Yosef (independent director), and Mr. Gadi Lesin (external director), and Messrs. Daniel Salkind, Michael Salkind, and Avraham Israeli. For details about the education, skills, and business experience of the above directors pursuant to the provisions of Article 26 of the Periodic and Immediate Reports Regulations, see the periodic report, Chapter D, Section 26.

For details about the minimum number of directors with accounting and finance expertise who the board of directors has determined to be suitable to the Company, see the corporate governance questionnaire attached to the periodic report, Part E.

10.2. Independent directors

For details about the Company's independent directors pursuant to Article 26 of the Periodic and Immediate Reports Regulations, see the periodic report, Chapter D, Section 26 as well as the corporate governance questionnaire attached to the periodic report, Part E.

10.3. Manner by which the financial statements were approved

The financial statements were discussed by a committee for the review of the financial statements that convened on 28 February 2022, whose members, as of this date, are Mr. Yair Cohen (external director), Ms. Orly Ben-Yosef (independent director), and Mr. Gadi Lesin (external director). The financial statements were approved by the meeting of the board of directors that convened on 3 March 2022.

11. Company shares buyback plan

On 17 November 2019, the Company's board of directors approved the extension of the acquisition plan to replace the plan that ended on 8 January 2020, without changes to its terms, for a period commencing on 9 January 2020 and terminating on 8 January 2023. On 15 March 2020, the Company's board of directors approved increasing the scope of the Company's share buyback plan to up to NIS 100,000,000. Future purchases shall take place from time to time on the various dates and in various volumes according to Company management's discretion and market opportunities. Up until the date of this report, 982,142 ordinary shares in the Company with a par value of NIS 1 have been acquired in the framework of the plan in exchange for a total of NIS 60,800,000.

12. **Company dividend distribution policy**

On 2 February 2022, the Company's board of directors approved the adoption of a dividend distribution policy that will apply to the financial statements from 2021 and thereafter, as set forth below:

The Company shall distribute a dividend to shareholders at a rate of 50% of its annual net income pursuant to the Company's last Consolidated Financial Statements, subject to the provisions of all law, including the distribution tests pursuant to the Companies Law, 5759-1999, and the financial restrictions and stipulations that were established or that shall be established from time to time in the Company's financing agreements, including the terms of bonds that shall be issued, if issued, by the Company. (For details regarding the issuance of Series A bonds, see Note 29A to the Consolidated Financial Statements.)

It is clarified that this policy shall not be viewed as an undertaking by the Company to distribute a dividend and the Company's board of directors shall be entitled to review the above dividend distribution policy from time to time and decide at any time to change the policy or the amount of the dividend to be distributed or decide that a dividend will not be distributed at all.

13. **Social responsibility policy**

13.1. As a leader in its field, the Group works to demonstrate social responsibility based on a strategy of contributing to the community in the environment in which it operates. The activity is self-initiated and based on collaborations with associations that support adolescents, at-risk youth, and populations in need.

13.2. **Corporate responsibility**

As a leading business group in its field, the Group is bound by the principles of social and environmental corporate responsibility. In 2021, the Group published, for the first time, a report on corporate responsibility – ESG.

For details about the Company's corporate responsibility, see the periodic report, Part A, Section 24.

13.3. Through these projects, the Company encourages its employees to active and ongoing participation based on an understanding that volunteer activities benefit employees and reinforces and strengthens the relationship between its employees and the organisation.

13.4. **Activity channels:**

- a) Ongoing collaboration with the Elem Association, which works to support at-risk youth all around Israel. This relationship includes ongoing volunteer activities by employees in the association's projects, including ongoing volunteering in the at-risk children and youth club in Rehovot, as well as a monetary donation.
- b) The donation of electrical appliances to entities in need: associations, hospitals, educational institutions, security forces, etc.
- c) An ongoing relationship with a number of associations that work to advance youth and persons in need in the socioeconomic periphery. These activities include donating products and assisting with packing food and with the ongoing operations of these associations.
- d) A collaboration agreement with the Ben-Gurion University to promote education and academic research for developing sustainability, with a focus on the field of air

conditioning and heat pump systems.

- e) The Group works to recruit and integrate special needs employees and established a social venture in the Group's offices that is staffed by employees with special needs in order to promote awareness of this issue.
- f) The Group works to promote the subject of social responsibility as an integral part of its general strategic and business thinking and regularly holds activities with the participation of executives and employees. In 2021, the Group adopted, in the framework of a collaboration with the "Adopt a Soldier" programme, the desert patrol battalion, also known as the Bedouin Patrol Battalion. The uniqueness of this battalion derives from the fact that its soldiers are Bedouins and Israeli Arabs, Muslims, and Christians, who volunteer to serve in the IDF.
- g) This collaboration included participation in battalion events and hosting battalion commanders at Electra in order to familiarise them with the Company and its plant and to familiarise them with Electra Academy's training options as a conduit for future integration of the battalion's combatants.
- h) With respect to activities in the framework of the Gershon Salkind Memorial Scholarship programme, see Note 28E(9) to the financial statements.

13.5. Contribution to the community

In 2021, the Group donated a total of NIS 1,388,000.

14. **Details relating to substantial and very substantial valuations that served as a basis for determining the value of data in the periodic report**

14.1 As at 31 December 2021, the Company has a very substantial valuation of investment property that it owns:

Below are details pursuant to Article 8B(I) to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding the valuation that was used as a basis in determining the data values in the Company's financial statements:

Identity of the subject of the valuation:	Estimate of the value of the interests in the real estate known as the "Electra" complex in Rishon Le'Zion
Timing of the valuation:	31 December 2021
Value of the subject of the valuation that was determined pursuant to the valuation:	Approximately NIS 270,000,000.
Valuator identity and specifications:	Yaron Spector Real Estate Appraisal Ltd. The work was done by Yaron Spector, a real estate appraiser with a bachelor's degree in economics as well as business administration, with honours, and a master's degree in business administration with a concentration in marketing from Bar Ilan University. He holds a certificate in real estate appraisal and property management, with honours, from Tel Aviv University. He is a licensed real estate appraiser under the Real Estate Appraiser Law and has many years of experience in accounting valuations for reporting corporations. The Company executed an undertaking to indemnify the valuator. The valuator is not dependent on the Company.
The assessment model used by the valuator:	The comparative approach
Assumptions used by the valuator in the valuation:	Number of comparative bases – 10 (including sales data for lots zoned for industrial use in property's vicinity, a lot zoned for "commerce and business," a lot zoned for "high-tech industry," and offices in the property's vicinity). Baseline assumption regarding the real estate appraisal – NIS 1,850 per square metre for office and high-tech use, NIS 1,850 per square metre for commercial use. Scope of building rights – 260% per dunam [hectare] For additional details, see the valuation attached to the periodic report.

The determined value per square metre accords with the zoning of the land in the lot that is the subject of the opinion and the large building rights and reflects depreciation for size.

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- 14.2 As at 31 December 2021, the Company has a substantial valuation in relation to the "recoverable amount from the electrical retail segment":

Below are details pursuant to Article 8B(I) to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding the valuation that was used as a basis in determining the data values in the Company's financial statements:

Identity of the subject of the valuation:	Recoverable amount from the electrical retail segment
Timing of the valuation:	31 December 2021
Value of the subject of the valuation that was determined pursuant to the valuation:	Approximately NIS 882,000,000
Valuator identity and specifications:	Agio – Risk and Financial Management Decisions Ltd. The work was performed by Itai Avizart, who holds a master's degree in finance, with honours, from the LUISS Business School in Rome, Italy, and a bachelor's degree in economics and business administration from the College of Management. He has extensive experience in providing financial advice and conducting valuations for companies in various industries. The Company executed an undertaking to indemnify the valuator. The valuator is not dependent on the Company.
The assessment model used by the valuator:	DCF
Assumptions used by the valuator in the valuation:	Permanent growth rate – 2% (nominal) After-tax capitalisation rate – approximately 9.25% (nominal) Standard deviation – N/A

- 14.3 As at 31 December 2021, the Company has a very substantial valuation in relation to the recoverable amounts from Bitan Wines' operations:

Below are details pursuant to Article 8B(I) to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding the valuation that was used as a basis in determining the data values in the Company's financial statements:

Identity of the subject of the valuation:	Recoverable amount from Bitan Wines' operations
Timing of the valuation:	31 December 2021
Value of the subject of the valuation that was determined pursuant to the valuation:	Approximately NIS 935,000,000.
Valuator identity and specifications:	Fahn Kanne Advisors is a subsidiary of Fahn Kanne & Co., CPAs, one of the six largest firms in Israel. Fahn Kanne Advisors is the Special Advisory Services branch of global Grant Thornton, which specialises in directing transnational transactions, conducting valuations, and advising on the performance of transactions, making corporate public offerings in capital markets around the world, and consulting on project management and finance. The work was performed by CPA Shlomi Bartov, partner and CEO of Fahn Kanne Advisors, who holds a master's degree in business administration (MBA) as well as a bachelor's degree in economics and accounting, both from Tel Aviv University, and by CPA Roman Falk, a partner in Fahn Kanne Advisors, who holds a master's degree in economics and a bachelor's degree (with honours) in economics and accounting, both from Tel Aviv University. There is no dependence on the Company on the part of the valutors.
The assessment model used by the valuator:	Discounted cash flow (DCF) method.
Assumptions used by the valuator in the valuation:	Capitalisation rate – 14.3%. Permanent growth rate – 2.5%. For additional details, see the valuation attached to the periodic report.

15. Disclosure with regard to the internal auditor

15.1. Details of the internal auditor

- A. The Corporation's chief internal auditor is Mr. Hillel Lavie, who has been serving in this capacity since 5 April 1994.
- B. To the best of the Company's knowledge, the internal auditor meets the conditions established in Section 3(A) to the Internal Audit Law, 5752-1992 (the "**Internal Audit Law**").
- C. To the best of the Company's knowledge, the internal auditor meets the provisions of Section 146(B) to the Companies Law as well as the provisions of Section 8 to the Internal Audit Law.
- D. As of the date of this report, the internal auditor does not own securities in the Company. In 2016, the internal auditor was issued 39,418 options in the parent company, Elco Ltd., which were exercised as set forth in Elco's reports. During the course of 2021, the internal auditor exercised the entire balance of his options. In the assessment of the Company's board of directors, the holding of said securities does not impact the nature of the internal auditor's work.
- E. The internal auditor is employed by the parent company, Elco Ltd. Nevertheless, in the board of directors' assessment, said employment does not create a conflict of interest with his position as internal auditor.
- F. The internal auditor is not an employee of the Company.
- G. As indicated above, the internal auditor is a salaried employee of the parent company, Elco Ltd., and serves as the internal auditor of Elco Ltd. as well as its other subsidiaries in the Group, including the Company and its subsidiaries.

15.2. How the internal auditor is appointed

Mr. Hillel Lavie was appointed to serve as the Company's internal auditor at the recommendation of the audit committee and the resolution of the Company board of directors dated 5 April 1994. The appointment was approved on the background of his position as internal auditor for the Elco Group as well as on the background of his education, skills, and many years of experience.

15.3. Identity of the person supervising the internal auditor

The organisational supervisor for the internal auditor is the chair of the board of directors.

15.4. The work plan

- A. The work plan is for three years. The work plan for the internal audit of the Company and its subsidiaries is determined, *inter alia*, based on the following considerations: coverage of the Company's primary fields of activity; risk and exposure areas of concern of which the auditor and management are aware; potential for savings and efficiency; turnover; and performance of re-audits to monitor the correction of defects and the implementation of recommendations. The audit work plan also includes the corporations in which the Company has substantial holdings.
- B. The audit work plan is submitted for review and approval by the audit committee and the Company's board of directors.

- C. The internal auditor has the discretion to deviate from the work plan as needed.
- D. During the course of the Reporting Period, a report on the subject of internal enforcement - which dealt, *inter alia*, with the approval process for substantial/interested party and related party transactions primarily for the years 2019-2020 - was reviewed.

15.5. Audit overseas and/or of investee companies

The audit plan also addresses substantial corporations held by the Company including overseas, as needed. The audit is conducted by the chief internal auditor and a staff of persons who are professionally subordinate to him and whom he guides.

15.6. Scope of the work

Below is an assessment of the scope of the annual audit that was performed by the chief internal auditor and the staff of professionals subordinate to him and whom he guides:

Assessment of the scope of the work by hours for 2021			
	In the Company	In corporations held by the Company	Total
With respect to activities in Israel	99	2,899	2,998
With respect to activities overseas	-	-	-
Total	99	2,899	2,998

The audit work plan is for three years, but, in practice, the scope of the annual audit hours changes from year to year, according to audit objectives.

15.7. Conducting the audit

- A. The internal auditor conducts his audit pursuant to accepted professional standards as set forth in Section 4(B) to the Internal Audit Law and professional guidelines that were approved and published by the Israel Institute of Internal Auditors and as set forth in the Companies Law.
- B. To the best of the knowledge of the Company's board of directors, based on the internal auditor's declaration, the internal auditor meets the requirements set forth in the professional standards.

15.8. Access to information

The internal auditor is granted free, continuous, and direct access to documents and information owned by the Company and corporations under its control, *inter alia*, by means of visits to the Company's properties as necessary. Access includes the receipt of information from information and financial data systems as set forth in Section 9 to the Internal Audit Law.

15.9. The internal auditor's report

- A. The internal auditor submits written reports of his findings on a regular basis, from time to time, and according to the topics of the audits that are conducted over the course of the year. The audit reports are submitted, *inter alia*, to the chair of the board of directors, the chair of the audit committee, members of the audit committee, and the Company's CEO, and accordingly, discussions are held by the appropriate parties

regarding the findings.

- B. During the course of 2021, the audit committee held four meetings, on 10 August 2021, 22 August 2021, 15 December 2021, and 27 December 2021, in which they discussed the internal auditor's findings.

15.10. The board of directors' assessment of the internal auditor's activities

In the opinion of the Company's board of directors, the scope, character, and continuity of the internal auditor's activities and work plan are reasonable under the circumstances and fulfil the goals of the Company's internal audit.

15.11. Compensation

- A. The internal auditor is a salaried employee of Elco Ltd., and his services are provided to the Company in the framework of the management agreement between the Company and Elco Ltd. As noted above, as part of the terms of his employment, the internal auditor received options in Elco Ltd., and during the course of 2021, he exercised the entire balance of his options.
- B. It is the assessment of the Company's board of directors that the internal auditor's compensation from Elco Ltd. does not impact his professional judgement.

16. Disclosure regarding the auditors' fees

The Company's and the substantial consolidated companies' auditors in 2021 and 2020 are Kost Forer Gabbay and Kasierer, Certified Public Accountants.

2021-ECP Group			2020-ECP Group		
Fees in NIS thousands			Fees in NIS thousands		
Audit, tax, and ancillary services	Other services	Total	Audit, tax, and ancillary services (*)	Other services (**)	Total
3,829	962	4,791	3,489	1,041	4,530

(*) Does not include the sum of approximately NIS 1,515,000 for services relating to terminated operations.

(**) Does not include the sum of approximately NIS 1,022,000 for services relating to terminated operations.

Fees for subsidiaries consolidated for the first time during the course of 2021

2021-ECP Group		
Fees in NIS thousands		
Audit, tax, and ancillary services	Other services	(*) Total
1,717	333	2,050

(*) Does not include the sum of approximately NIS 1,850,000 for transaction expenses in connection with the acquisition of Bitan Wines and the audit of the pro-forma financial statements.

Members of the audit committee reviewed the auditors' fees and were persuaded that the scope of the work hours that were required by the auditors was acceptable, and their fees constituted fair remuneration for the scope of the work. Upon the recommendation of the audit committee, the Company's board of directors approved the auditors' fees. The Company's board of directors accepted the audit committee's recommendations and approved the auditors' fees for 2021.

17. Specific disclosure about the Company's bonds

17.1. Specific disclosure about the Company's bonds that were issued after the balance sheet date

Bonds (Series A) ⁽²⁾	
Disclosure Item	Details about the bonds (Series A)
1. Issuance date ⁽¹⁾	7 February 2022, pursuant to a shelf offering report
2. Total par value on the date of issue ⁽¹⁾	NIS 250,000,000 par value
3. Par value balance as at 31 December 2021	Not relevant
4. Par value balance on the reporting date	NIS 250,000,000 par value
5. The par value balance on the reporting date, revalued according to linkage terms	The series is not linked.
6. Amount of interest accrued on the books as at 31 December 2021	Not relevant ⁽³⁾
7. Stock market value as at 2 March 2022	NIS 246,750,000
8. Type of interest	Fixed interest at a rate of 2.1%. We note that the trust deed for the (Series A) Bonds dated 7 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, and/or due to a change in the (Series A) Bond rating. According to the above adjustment mechanisms (cumulatively), the total amount of interest supplements shall not exceed 1.5% (other than in the event of an entitlement to interest on arrears). For details, see Sections 5.21, 5.22, and 5.23 to the Trust Deed.
9. Dates for payment of principal	The (Series A) Bonds are payable in seven (7) unequal semi-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 semi-annually on 30 June and 31 December in each of the years 2022 through 2029 (inclusive) such that the first interest payment will be on 30 June 2022 and the last interest payment will be on 31 December 2029 (together with the final payment of the principal).
11. Principal and interest linkage basis	The (Series A) Bonds are not linked (principal or interest) to any linkage basis.
12. Are the bonds convertible?	No
13. Early repayment or forced conversion of the 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 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

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Bonds (Series A)⁽²⁾	
Disclosure Item	Details about the bonds (Series A)
Details about the trustee for the holders of (Series A) Bonds	
1. Trustee's name	Mishmeret Trust Company Ltd.
2. Person in charge of the bonds	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) Bonds' rating	
1. Name of rating company as of the report date	Standard & Poors Maalot Ltd. ("Maalot")
2. Rating determined on the date of issue	iIAA (January and February 2022)
3. Rating on the report date	iIAA (January and February 2022)
4. Additional ratings between the date of issue and the report date	-

(1) On 3 February 2022, the Company published a shelf offering report (reference number: 2022-01-013488), in which the Company made an initial public offering in the sum 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 3 March 2022 in respect of the (Series A) Bonds is NIS 345,000.

17.2 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 Securities Regulations (Periodic and Immediate Reports), 5730-1970, to review, from time to time, whether there are signs that could indicate a problem of liquidity at the Company.

As at 31 December 2021, the Company listed, in its Consolidated Financial Statements, negative working capital (net) (current assets less current liabilities) in the sum of approximately NIS 510,000,000 and negative (net) operating capital - which characterises retail operations such as the Company's - in the sum of approximately NIS 40,000,000. Similarly, as at that date, the Company has a negative working capital (net) (current assets less current liabilities) in the sum of approximately NIS 263,000,000 and a negative (net) operating capital, according to the Company's separate (solo) financial data, in the sum of approximately NIS 2,000,000.

The Company's board of directors conducted a review as to whether the above factual situation indicates a liquidity problem, in the framework of which it reviewed the Company's sources for repaying its existing and expected liabilities based on the forecasted cash flow that was presented to the board. Accordingly, the board of directors determined that the shortfall in working capital and the shortfall in operating working capital do not indicate a problem of liquidity 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 Securities Regulations (Periodic and Immediate Reports), 5730-1970.

18. Events after the balance sheet date

For details, see Note 29 to the financial statements regarding events after the end of the Reporting Period.

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Appendix A – Linkage-based report as at 31 December 2021, in NIS thousands:

	Dollars	Euro	Total foreign currency	Unlinked	Linked	Non- monetary	Total
Assets							
Cash and cash equivalents	11,566	13,071	24,637	319,795	-	-	344,432
Short-term investments	-	-	-	3,797	547	-	4,344
Trade receivables	1,657	18,806	20,463	659,349	-	-	679,812
Other receivables	10,163	8,711	18,874	19,251	6,881	13,661	58,667
Inventory	-	-	-	-	-	854,392	854,392
Long-term other receivables	-	-	-	15,221	10,182	-	25,403
Investment property	-	-	-	-	-	269,700	269,700
Fixed assets, net	-	-	-	-	-	201,444	201,444
Right of use assets, land	-	-	-	-	-	56,387	56,387
Right of use assets, other	-	-	-	-	-	1,501,770	1,501,770
Goodwill	-	-	-	-	-	1,900,347	1,900,347
Intangible assets	-	-	-	-	-	105,100	105,100
Deferred taxes	-	-	-	-	-	5,032	5,032
Total assets	23,386	40,588	63,974	1,017,413	17,610	4,907,833	6,006,830
Liabilities							
Credit from banking corporations	-	-	-	49,327	-	-	49,327
Current maturities of leasing liabilities	-	-	-	-	172,135	-	172,135
Trade payables	146,212	51,121	197,333	1,376,461	-	-	1,573,794
Other payables	-	-	-	308,154	146,637	202,340	657,131
Loans from banking corporations and others	-	-	-	616,500	-	-	616,500
Leasing liabilities	-	-	-	-	1,539,903	-	1,539,903
Other non-current liabilities	-	-	-	30,845	-	81,458	112,303
Employee benefit liabilities, net	-	-	-	-	-	38,552	38,552
Deferred taxes	-	-	-	-	-	17,277	17,277
Total liabilities	146,212	51,121	197,333	2,381,287	1,858,675	339,627	4,776,922
Balance of the exposure of assets (liabilities) to the results	(122,826)	(10,533)	(133,359)	(1,363,874)	(1,841,065)	4,568,206	1,229,908

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

**Zvika Schwimmer,
Chief Executive Officer**

Date: 3 March 2022

Consolidated Statements of Financial Position

	Note	As at 31 December	
		2021	2020
		NIS Thousands	
<u>Current assets</u>			
Cash and cash equivalents	6	344,432	315,721
Short-term investments	7	4,344	105,877
Trade receivables	8	679,812	529,913
Other receivables	9	58,667	29,763
Inventory	10	854,392	459,119
		<u>1,941,647</u>	<u>1,440,393</u>
<u>Non-current assets</u>			
Long-term investments	11	-	14,528
Long-term trade and other receivables		25,403	4,101
Investment property	12	269,700	216,530
Fixed assets, net	13	201,444	67,052
Right of use assets, land	14a	56,387	49,924
Right of use assets, other	14b	1,501,770	118,640
Goodwill	15	1,900,347	187,317
Intangible assets	15	105,100	24,814
Deferred taxes	22e	5,032	2,508
		<u>4,065,183</u>	<u>685,414</u>
		<u>6,006,830</u>	<u>2,125,807</u>

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

Consolidated Statements of Financial Position

	Note	As at 31 December	
		2021	2020
		NIS Thousands	
<u>Current liabilities</u>			
Credit from banking corporations	16	49,327	73,594
Current maturities of leasing liabilities		172,135	32,043
Trade payables	17	1,573,794	864,932
Other payables	18	657,131	339,538
		<u>2,452,387</u>	<u>1,310,107</u>
<u>Non-current liabilities</u>			
Loans from banking corporations and others	19	616,500	-
Leasing liabilities	19	1,539,903	99,252
Other liabilities	19	112,303	53,616
Employee benefit liabilities, net	21	38,552	17,728
Deferred taxes	22e	17,277	21,895
		<u>2,324,535</u>	<u>192,491</u>
<u>Equity</u>			
Equity attributed to Company shareholders		690,970	591,224
Non-controlling interests		538,938	31,985
<u>Total equity</u>		<u>1,229,908</u>	<u>623,209</u>
		<u>6,006,830</u>	<u>2,125,807</u>

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

3 March 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

Consolidated Statements of Profit and Loss

	Note	For the year ending 31 December		
		2021	2020	2019
NIS Thousands				
Revenues from sales and provision of services	25a	4,648,546	2,573,373	2,217,905
Cost of sales and provision of services	25b	3,349,001	1,951,831	1,724,032
Gross profit		1,299,545	621,542	493,873
Sales and marketing expenses	25c	(988,661)	(451,353)	(399,797)
Administrative and general expenses	25d	(80,718)	(35,421)	(31,211)
Research and development expenses	25e	(6,231)	(7,244)	(7,827)
Other income (expenses), net	25f	41,664	2,842	(14,529)
Operating profit		265,599	130,366	40,509
Financing income	25g	6,555	3,338	4,829
Financing expenses	25g	(68,681)	(14,352)	(16,395)
Profit before taxes on income		203,473	119,352	28,943
Taxes on income	22f	(31,597)	(28,907)	(17,154)
Net income from continuing operations		171,876	90,445	11,789
Net income from discontinued operations	26	-	201,259	173,058
Net profit		171,876	291,704	184,847
<u>Net income attributable to:</u>				
Company shareholders		164,113	285,841	171,047
Non-controlling interests		7,763	5,863	13,800
		171,876	291,704	184,847
<u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>				
Earnings from continuing operations		7.47	4.08	0.54
Income from discontinued operations, net		-	8.93	7.23
Net earnings		7.47	13.01	7.77
<u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>				
Earnings from continuing operations		7.33	4.03	0.53
Income from discontinued operations, net		-	8.81	7.16
Net earnings		7.33	12.84	7.69
Weighted number of shares used in calculating base net earnings per share		21,979,919	21,971,893	22,022,153
Weighted number of shares used in calculating diluted net earnings per share		22,374,761	22,269,296	22,231,918

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

Consolidated Statements of Comprehensive Income

	For the year ending		
	31 December		
	2021	2020	2019
	NIS Thousands		
Net profit	171,876	291,704	184,847
Other comprehensive income (loss) (after tax):			
<u>Sums that will not later be reclassified to profit or loss:</u>			
Loss from remeasurement for defined benefit plans	(28)	(139)	(1,153)
<u>Amounts 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)	80	(1,788)
Transfer to profit or loss from sale of foreign operations	8,357	-	-
Transfer to statement of profit and loss with respect to cash flow hedging transactions	(1,345)	(16,046)	-
Profit (loss) with respect to cash flow hedging transactions	3,687	14,929	(1,541)
Total other comprehensive income (loss)	10,349	(1,176)	(4,482)
Total comprehensive income	182,225	290,528	180,365
<u>Total income attributable to:</u>			
Company shareholders	175,178	284,665	166,575
Non-controlling interests	7,047	5,863	13,790
	182,225	290,528	180,365

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders												Non-controlling interests	Total equity
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with non-controlling interests	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to rereasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total			
	NIS Thousands													
<u>Balance as at 1 January 2021</u>	73,150	430,661	(58,468)	4,362	(2,659)	(8,035)	2,680	(5,813)	(2,658)	158,004	591,224	31,985	623,209	
Total comprehensive income	-	-	-	-	-	8,035	-	688	2,342	164,113	175,178	7,047	182,225	
Cost of share-based payments	-	-	-	-	-	-	1,911	-	-	-	1,911	-	1,911	
Buyback of Company shares	-	-	(7,343)	-	-	-	-	-	-	-	(7,343)	-	(7,343)	
Non-controlling interests created in companies consolidated for the first time	-	-	-	-	-	-	-	-	-	-	-	499,906	499,906	
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	-	(70,000)	(70,000)	-	(70,000)	
<u>Balance as at 31 December 2021</u>	73,150	430,661	(65,811)	4,362	(2,659)	-	4,591	(5,125)	(316)	252,117	690,970	538,938	1,229,908	

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

The accompanying notes constitute an integral part of the 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	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans NIS Thousands	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	
<u>Balance as at 1 January 2019</u>	72,682	421,311	(42,128)	4,362	(6,327)	8,581	(4,676)	-	108,625	562,430	12,288	574,718
Cumulative impact of initial adoption of IFRS 16 as at 1 January 2019	-	-	-	-	-	-	-	-	(1,781)	(1,781)	(126)	(1,907)
Balance as at 1 January 2019 (following adoption of IFRS 16)	72,682	421,311	(42,128)	4,362	(6,327)	8,581	(4,676)	-	106,844	560,649	12,162	572,811
Total comprehensive profit (loss)	-	-	-	-	(1,788)	-	(1,143)	(1,541)	171,047	166,575	13,790	180,365
Cost of share-based payments	-	-	-	-	-	1,772	-	-	-	1,772	1,480	3,252
Exercise of options	400	2,648	-	-	-	(2,648)	-	-	-	400	-	400
Buyback of Company shares	-	-	(6,540)	-	-	-	-	-	-	(6,540)	-	(6,540)
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	(45,728)	(45,728)	-	(45,728)
<u>Balance as at 31 December 2019</u>	<u>73,082</u>	<u>423,959</u>	<u>(48,668)</u>	<u>4,362</u>	<u>(8,115)</u>	<u>7,705</u>	<u>(5,819)</u>	<u>(1,541)</u>	<u>232,163</u>	<u>677,128</u>	<u>27,432</u>	<u>704,560</u>

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

Consolidated Statements of Cash Flow

	For the year ending		
	31 December		
	2021	2020	2019
	NIS Thousands		
<u>Cash Flow from Current Operations</u>			
Net profit	171,876	291,704	184,847
Adjustments required to present cash flow from current operations:			
Adjustments to profit and loss items:			
Depreciation and amortization	194,199	98,845	113,768
Amortization of customer acquisition costs	-	9,456	15,661
Impairment of intangible assets and goodwill	131	1,324	6,301
Impairment (increase) of investment property	(51,117)	3,068	1,979
Cost of share-based payments	1,911	2,202	3,252
Loss (gain) on disposal of operations, net	6,332	(228,014)	-
Capital loss (gain) from disposal of fixed assets	5,774	(350)	-
Other earnings with respect to cancellation of onerous contract liabilities	-	-	(117,734)
Company's share in losses of companies treated according to balance sheet value, net	-	647	1,093
Deferred taxes, net	(13,226)	(30,688)	(523)
Change in employee benefit liabilities, net	3,898	604	1,009
Other adjustments	(9,575)	8	(506)
	<u>138,327</u>	<u>(142,898)</u>	<u>24,300</u>
Changes in assets and liabilities items:			
Increase in trade receivables (including long-term receivables)	(46,866)	(138,319)	(76,615)
Decrease (increase) in other receivables	21,373	(13,863)	18,386
Decrease (increase) in inventory	(234,051)	(72,721)	7,784
Increase (decrease) in trade payables	(40,101)	229,993	270,665
Increase (decrease) in other payables	(16,744)	140,799	4,956
	<u>(316,389)</u>	<u>145,889</u>	<u>225,176</u>
Net cash from (used for) ongoing operations	<u>(6,186)</u>	<u>294,695</u>	<u>434,323</u>

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

Consolidated Statements of Cash Flow

	For the year ending		
	31 December		
	2021	2020	2019
	NIS Thousands		
<u>Cash flow from investment activities</u>			
Acquisition of fixed assets and intangible assets	(86,670)	(44,777)	(43,531)
Investment in affiliated companies, net	-	(665)	(1,152)
Payment of capitalised leasing fees and land development levies	(7,027)	(47,940)	-
Capitalisation of customer acquisition costs	-	(8,381)	(15,224)
Capitalisation of costs imputed to investment property	(2,173)	(2,992)	(5,808)
Extension of short-term loans	-	(5,000)	-
Repayment of short-term loans	-	5,000	-
Investment in short-term deposits	-	(100,000)	-
Redemption of short-term deposits	100,149	-	-
Investment in marketable securities	(70,964)	(30,000)	-
Payment for acquisition of hedging transactions	(5,587)	(5,950)	(5,431)
Deferred proceeds from disposal of previously consolidated company investment	2,479	-	-
Consideration on account of disposal of investment property	24,063	-	-
Proceeds from disposal of fixed assets	602	350	-
Proceeds from redemption and sale of marketable securities	88,299	6,891	-
Other investments, net	(1,220)	8,775	1,664
Acquisition of companies consolidated for the first time (A)	4,941	-	-
Net proceeds from disposal of investment in previously consolidated companies (B)	4,467	485,620	-
Net cash from (used for) investment operations	51,359	260,931	(69,482)
<u>Cash flows from financing operations</u>			
Dividends paid to Company shareholders	(70,000)	(360,000)	(45,728)
Dividends paid to holders of non-controlling interests	-	(20,646)	-
Issuance of share capital	-	68	400
Receipt of loans from holder of non-controlling interests	-	13,636	-
Acquisition of partner's share in an indirect subsidiary	-	(11,228)	-
Receipt of long-term loans from banking corporations	610,000	-	-
Repayment of long-term loans from banking corporations	(190,554)	(58,376)	(177,435)
Repayment of loans to others	(40,560)	(18,890)	(22,689)
Payment of liabilities to Mega trustees	(84,345)	-	-
Buyback of Company shares	(7,343)	(9,800)	(6,540)
Issuance of equity in consolidated company to holders of non-controlling interests	-	32,034	-
Payment of leasing liabilities	(115,966)	(40,923)	(45,161)
Short-term credit from banking corporations, net	(118,404)	(52,608)	3,138
Net cash used in financing activities	(17,172)	(526,733)	(294,015)
<u>Exchange differentials on cash and cash-equivalent balances</u>	710	143	(194)
<u>Increase in cash and cash equivalents</u>	28,711	29,036	70,632
<u>Balance of cash and cash equivalents at beginning of year</u>	315,721	286,685	216,053
<u>Balance of cash and cash equivalents at end of year</u>	344,432	315,721	286,685

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

	For the year ending 31 December		
	2021	2020	2019
	NIS Thousands		
(A) <u>Acquisition of companies consolidated for the first time</u>			
Consolidated companies' assets and liabilities as at date of acquisition:			
Working capital (other than cash and cash equivalents)	829,748	-	-
Long-term receivables	(13,011)	-	-
Fixed assets	(95,840)	-	-
Right of use assets	(1,394,324)	-	-
Intangible assets	(79,942)	-	-
Goodwill	(1,703,155)	-	-
Deferred tax liabilities, net	5,262	-	-
Loans from banking corporations and others and bank credit	338,776	-	-
Leasing liabilities	1,569,813	-	-
Other non-current liabilities	30,144	-	-
Employee benefit liabilities, net	17,564	-	-
Non-controlling interests	499,906	-	-
	4,941	-	-
(B) <u>Proceeds from disposal of investment in previously consolidated company</u>			
Consolidated company's assets and liabilities as at date of sale:			
Working capital (other than cash and cash equivalents)	13,298	(149,089)	-
Long-term receivables	248	-	-
Fixed assets	1,393	102,606	-
Right of use assets	-	13,532	-
Intangible assets	3,631	75,346	-
Goodwill	-	792,689	-
Deferred taxes	-	43,651	-
Credit from banking corporations and others	(2,848)	-	-
Long-term loan from a banking corporation	(5,478)	-	-
Leasing liabilities	-	(15,701)	-
Other non-current liabilities	(669)	(597,381)	-
Non-controlling interests	-	(8,047)	-
Proceeds from sale of consolidated company	2,025	228,014	-
Receivables from disposal of investment in a consolidated company	(7,133)	-	-
	4,467	485,620	-
(C) <u>Significant non-cash activities</u>			
Acquisition of fixed assets and intangible assets using credit	14,768	2,016	10,990
Consideration payable from return of leased asset to the lessor	2,200	-	-
Revenues from changes in lease fees resulting from Covid-19 pandemic	-	1,793	-
(D) <u>Additional information on cash flow</u>			
Cash paid over the course of the year for:			
Interest	67,360	32,936	54,951
Taxes on income	45,304	34,269	26,691
Cash received over the course of the year for:			

Notes on the Interim Consolidated Financial Statements

	For the year ending 31 December		
	2021	2020	2019
	NIS Thousands		
Interest	1,750	1,041	122
Taxes on income	9,579	265	3,884

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