



Financial Statements as of  
31 March 2023

Electra Consumer Products (1970) Ltd

## Legal Disclaimer

The attached is a convenience translation of the Board of Directors report on the state of the corporation's affairs, the consolidated statement of financial position, the consolidated statements of profit and loss ("P&L"), the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows as of 31 March 2023 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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 DAIKIN

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Carrefour 



Quik.co.il  
שירות סופר אונליין



שבילים   
רשת חנויות מסיילים ארץ-ישראלית

Outsiders

 Columbia

DUTY FREE 



מחסני חשמל

Sauter

PHILIPS

LIEBHERR

Miele

TOSHIBA

cecotec

Breville

Whirlpool

JETPOINT

MEISTER

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 ELECTRA  
Israel's Leading Brands

# Electra CP

## Electra Consumer Products (1970) Ltd. in Numbers



**300**  
Branches



**90M**  
EBITDA



**1.5B**  
Revenues



**6.9K**  
Number of  
employees



**1.2B**  
Company equity



**7.1B**  
Total Company  
balance sheet



**788M**  
Financial debt  
(net of IFRS-16)



**iLAA-**  
S&P Rating

### Electric Retail Segment



**79**  
Branches



**156**  
Branches



**65**  
Branches



**46K sq.m.**  
Commercial  
Space



**175K sq.m.**  
Commercial  
Space



**22K sq.m.**  
Commercial  
Space



**10.8%**  
Percent Change  
in Same Store



**4.6%**  
Percent Change  
in Same Store  
(net of stores  
closed for  
renovation and  
conversion)

# Electra Consumer Products (1970) Ltd.

## Board of Directors Report For the three months ended at 31 March 2023

The Board of Directors of Electra Consumer Products (1970) Ltd. respectfully submits the Board of Directors Report on the Company's and its consolidated companies' business affairs (hereinafter: the "Group") for the three-month period ended at 31 March 2023 (hereinafter: the "reporting period"). The review, which is presented below, is of a limited scope and relates to events and changes that occurred in the Company's affairs during the reporting period, and it should be examined together with the periodic report for the year ended at 31 December 2022 (the "Company's 2022 Periodic Report").

### 1. General

#### 1.1 Description of the Group's business

The Group operates in five fields, which are also reported as operating segments in its financial statements, as set forth below:

Electrical consumer products segment – import, export, marketing, sale, and distribution of electrical consumer products and rendering service for these products.

Electrical consumer products – operation of retail chains to sell electrical consumer products and cellular telephones and accessories by means of "Mahsanei Hashmal," "Shekem Electric," and "Shekem Duty."

Retail food segment - Operation of the Global Retail C.I. Ltd. chain (formerly: Bitan Wines Ltd.), a retail marketing chain for food products and other consumables, that operates under Carrefour brands as well as the operation of the 7-Eleven chain, which commenced operation in January 2023.

Sports and leisure segment - As of the financial statements as at 31 December 2022, the Company has been presenting the operation of marketing chains, import, manufacturing, and distribution of equipment and clothing and footwear for travellers, camping, ski, and snowboarding, and outdoor sports and leisure, as well as the operation of a franchise chain under the Adidas brand (hereinafter: "Adidas"), as a separate operating segment.

Investment real estate segment – development and construction of investment property.

## 1.2 Description of the Company's business environment and trends

### 1.2.1 Summary of Financial Results with and Net of the Food Segment During the reporting period

As a result of the decision by Global Retail C.I. Ltd. (formerly Bitan Wines) in 2022 to carry out a reorganisation plan and its decision to accelerate the conversion and renovation of the chain's stores for the launching 50 Carrefour stores that were launched on 9 May 2023, and as a result of the fact that some of the chain's branches were closed during the course of and after the reporting period, and some of the chain's branches were partially open during the course of and after the reporting period as a result of operational difficulties in gathering online deliveries from the Global Retail C.I. Ltd. sales floor, and as a result of the ongoing process of establishing the 7-Eleven chain, whose first stores were launched during the course of the first quarter of 2023, the results of the food segment during the reporting period were adversely affected.

Below is a summary of the Company's financial results for the first quarter and the year with and without the food segment and for the food segment:

	<b>Consolidated</b>		<b>Consolidated without the retail food segment</b>	
	<b>For the three months ended at 31 March</b>			
	<b>NIS Thousands</b>			
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Sales	1,505,526	1,450,490	860,832	762,075
Operating income before other income, net	5,516	54,736	54,412	52,476
EBITDA	90,326	123,390	83,564	79,027
Profit (loss) before tax	(46,336)	59,211	35,687	73,732
Net profit (loss)	(52,667)	41,880	29,356	56,401
Net income (loss) attributable to Company shareholders	(10,511)	46,604	25,886	49,954

  

	<b>Retail food segment</b>	
	<b>For the three months ended at 31 March</b>	
	<b>NIS Thousands</b>	
	<b>2023</b>	<b>2022</b>
Sales	644,694	688,415
Operating income (loss) before other income, net, and reorganisation expenses	(48,896)	2,260
EBITDA	6,762	44,363
Loss before tax	(82,023)	(14,521)
Net loss	(82,023)	(14,521)
Net loss attributable to Company shareholders	(36,397)	(3,350)

During the reporting period, there was an increase in revenues amounting to NIS 1,505,526,000 compared to NIS 1,450,490,000 in the previous year.

During the reporting period, there was a decrease in revenue from the retail food segment amounting to NIS 644,694,000 compared to NIS 688,415,000 the previous year, deriving primarily from the closure or partial closure of stores for the purpose of renovation and conversion to the Carrefour brand, in the sum of NIS 77 million, offset by revenues from the consolidation of Quik Technologies and Investments Ltd.'s operations which during the quarter, contributed to an increase of NIS 25 million.

During the reporting period, there was a decrease in operating income before other income/expenses, net, amounting to NIS 5,516,000, as compared with NIS 54,736,000 in the parallel period of the previous year. Operating income after neutralisation of the effect of other expenses, net, after neutralisation of the food segment, amounted to approximately NIS 54,412,000 as compared with NIS 52,476,000 in the parallel period of the previous year.

During the reporting period, there was a decrease in operating profit before other income/expenses, net, in the food segment, amounting to a loss of NIS 48.896 million compared to an operating profit after neutralisation of the effect of other expenses, net, in the sum of NIS 2.260 million the previous year, deriving primarily from the closure or partial closure of stores for renovation and conversion to the Carrefour brand, from an increase in depreciation expenses resulting from accelerated depreciation as part of the reorganisation plan and acceleration of the launch of Carrefour, from an increase in headquarters salary costs in the sum of NIS 5 million, primarily because of an increase in staffing in order to establish a supply chain division to support the launch of Carrefour, and from complete consolidation during the reporting period compared to the previous year of the partnership with Quik Technologies and Investments Ltd., which contributed NIS 8.5 million to the above loss.

The Company's EBITDA decreased during the reporting period and amounted to NIS 90.326 million as compared with NIS 123.390 million in the previous year. The Company's EBITDA after neutralising the food segment during the reporting period increased and amounted to NIS 83.564 million as compared with NIS 79.027 million in the previous year.

The food segment's EBITDA decreased during the reporting period and amounted to NIS 6.762 million as compared with NIS 44.363 million in the previous year, because of the reasons indicated above in the explanation for the decrease in operating profit.

The Company's loss before taxes on income during the reporting period came to NIS 46,336,000 compared to earnings before taxes on income of NIS 59,211,000 the previous year. The loss before tax in the reporting period was due to loss before tax in the food sector and net of the loss from the food sector, the profit before tax in the reporting period amounted to NIS 35,687 million compared with profit before tax of NIS 73,732 million. The decrease in profit before tax net of the food sector in the reporting period primarily derived from non-recurring income last year in the sum of NIS 31 million due to revaluation of the investment property owned by the Company and an increase in financing expenses in the reporting period, mainly due to

expenses, net, for exchange differentials and hedging transactions due to an increase in the EUR exchange rate during the reporting period.

The Company's loss in the food segment before taxes on income in the reporting period to NIS 82,023,000 compared to a loss before taxes on income of NIS 14,521,000 the previous year.

The net loss attributed to the majority shareholders during the reporting period came to NIS 10.511 million compared to earnings of NIS 46.604 in the previous year. After neutralisation of the results of the food segment in the reporting period, net income attributed to the majority shareholders amounted to NIS 25.886 million, compared to NIS 49.954 million in the parallel periods of the previous year. The decrease in net profit for the majority shareholders was due to non-recurring income from revaluation of real estate last year and to the increase in financing expenses.

### **1.3 Principal events during the reporting period and thereafter**

#### **1.3.1 Execution of a Commercial Collaboration and Merger of Solar Operations Agreement**

On 9 March 2023, a commercial collaboration and merger of operations agreement was executed between Electra Solar Equipment (2021), Limited Partnership ("Electra Solar"), which is indirectly held by the Company, and Bariach Golan Energy Equipment Ltd. ("Bariach Golan"), which is indirectly held by Rav Bariach (08) Industries Ltd, a publicly-traded company whose shares are listed for trade on the Tel Aviv Stock Exchange Ltd. ("Rav Bariach"), as was a founders agreement for the establishment of a joint company that would be held by Bariach Golan (75%) and by Electra Solar (25%) (the "Joint Company") and whose activities would comprise the distribution and/or marketing and/or sale of components for photovoltaic (PV) solar energy systems to companies and/or individuals engaged in the renewable energy sector. (See Note 4A to the interim consolidated financial statements for additional details.)

**1.3.2** On 23 March 2023, the Company declared the distribution of a dividend in the sum of NIS 35 million which reflects NIS 1.62 per share. The dividend was paid on 16 April 2023.

#### **1.3.3 Execution of new financing agreements – Global Retail C.I. Ltd. Group (formerly Bitan Wines)**

A. During the course of February 2023, Global Retail C.I. Ltd. (formerly, Bitan Wines) executed agreements to renew a binding line of credit for a year, in the sum of NIS 100 million with two banks.

B. During the course of March 2023, the Carrefour Group executed undertakings with four banks to obtain additional long-term loans in the total sum of approximately NIS 148 from three banking corporations in the framework of which the required financial criteria were updated alongside negotiations with the banking corporations regarding the support of the Bitan Wines Group's shareholders. These were for the fulfilment of the plan for the renovation and conversion and launch of the Carrefour brand by the end of the fourth quarter of 2023. Similarly, Global Retail C.I. Ltd. sought to obtain financing in the scope of NIS 100 million from its

shareholders. As of the reporting date, all of said financing has been obtained from the shareholders.

See Notes 4B and 4E to the interim consolidated financial statements for additional details regarding these financing agreements and regarding the financial position of the second-tier subsidiary, Global Retail C.I. Ltd. (formerly Bitan Wines Ltd.).

#### **1.3.4 Launch of Carrefour**

On 9 May 2023, the Group launch 50 stores under Carrefour brands: Carrefour Hyper, Carrefour market and Carrefour City. The 50 stores that were converted previously operated under the Global Retail C.I. Ltd. Group's other brand names.

As of the launch of Carrefour branches on 9 May 2023 and up to 27 May 2023, sales turnover in the Carrefour branches that were launched increased by 84%, reflecting annual sales per square metre of between NIS 46-53 thousand. In addition, Carrefour brands represented 14% of the shopping cart in the branches that were launched.

Following the increase in sales turnover of the Carrefour branches that were launched and the market share of Carrefour brand products, the Company expects that the EBITDA of Global Retail C.I. Ltd. in the 12 months starting in the second quarter of 2023 will amount to NIS 100 million.

The Company believes that if the direction of growth in sales of the branches converted to Carrefour branches continues at this rate, the Group's turnover, together with the improvement in its other operating segments, is expected to reach NIS 7 billion in 2024.

The Company's forecasts regarding EBITDA after neutralisation of IFRS 16, regarding EBITDA, and regarding the expected turnover in 2024, is forward facing information as defined in the Securities Law, 5728-1968 (the "Securities Law") that is based, inter alia, on the increased sales turnover of the Carrefour stores that have been launched, the market share held by Carrefour brand products, the Company's budget, and the Company's assessments with regard to the trend toward increased sales in stores that have been converted. The above assessments may be affected by factors outside the Company's control, including the risk factors involved in its operations and thus, there is no certainty that what is stated above will be realised, and the actual results may significantly differ from the assessments that are set forth above.

As part of the launch of Carrefour in Israel, Bitan Wines Group companies changed their legal names: Bitan Wines changed its name to Global Retail C.I. Ltd. and accordingly, the names of the other Group companies were changed.

#### **1.3.5 Execution of a Memorandum of Understanding to Update the Franchise Agreement with Adidas Israel Ltd.**

Further to Note 5D(1) to the Company's consolidated annual financial statements for 2022, regarding the franchise agreement between E.L. Sport (2017) Ltd., an indirect subsidiary controlled by the Company (the "franchisee") and Adidas Israel Ltd. ("Adidas") (collectively: the "parties"), for the operation of franchise stores under the Adidas brand in Israel, on 28 May

2023, the parties signed a memorandum of understanding for negotiations to sign a new franchise agreement, the main points of which are as follows:

The parties agreed that Adidas will transfer 28 of its branches (of which, 4 surplus stores and a store under construction) for operation of the franchise, at the beginning of October 2023, for a consideration to be determined upon the actual transfer of the branches transferred in the transaction, such that after the transfer, the franchisee will operate 46 branches in Israel.

The parties agreed that the new franchise agreement, under which the franchisee will operate the branches, will be valid for five (5) years, with an option for renewal for another five (5) years, in accordance with the agreements between the parties. It was further agreed that the new franchise agreement will include the franchisee's right of first refusal for opening new stores and the franchisee's undertaking not to compete with the Adidas brand.

Completion of the new franchise agreement will be subject, among other things, to obtaining the approval of the Competition Commissioner, if required, and obtaining the approvals from third parties as required.

The Company believes that if the transaction is completed, the Company's sales turnover from the agreement is expected to amount to NIS 250 million per year, based on the sales turnover of Adidas stores operated by the Company at that date and the standard industry rate of sales per square metre.

The Company's expected sales turnover from the closing of the transaction, if closed, constitutes forward facing information as defined in the Securities Law, 5728-1968, that is based, inter alia, on the assumptions set forth above which could be affected by factors outside of the Company's control, including those risk factors involved in its operations. Accordingly, there is no certainty that what is stated above will be realised, and the actual results may significantly differ from the assessments that are set forth above.

**1.3.6** See Notes 4 and 9 to the interim consolidated financial statements, respectively, regarding additional significant events in the reporting period and thereafter.

## The Board of Directors' explanations of the Company's business affairs

### 2. Financial Position:

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

	As at 31 March		As at
	2023	2022	31 December 2022
	NIS Thousands		NIS Thousands
Current assets	2,449,615	2,156,356	2,189,770
Non-current assets	4,689,609	4,252,364	4,506,700
<b>Total assets</b>	<b>7,139,224</b>	<b>6,408,720</b>	<b>6,696,470</b>
Current liabilities	2,999,371	2,672,401	2,657,788
Non-current liabilities	2,959,449	2,498,897	2,814,874
Total equity	1,180,404	1,237,422	1,223,808
<b>Total liabilities and equity</b>	<b>7,139,224</b>	<b>6,408,720</b>	<b>6,696,470</b>

#### Assets

- 2.1** The total current assets amounted to approximately NIS 2,450,000,000 as at 31.03.2023, as compared with approximately NIS 2,190,000,000 as at 31.12.2022. The increase in current assets primarily derived from an increase in inventory balances that had resulted from stocking up on inventory in the lead up to the Passover holiday and the lead up to the launch of Carrefour, and the securing of an inventory of air conditioners in the lead up to the summer, and from an increase in other receivables.
- 2.2** The total non-current assets amounted to approximately NIS 4,690,000,000 as at 31.03.2023, as compared with approximately NIS 4,507,000,000 as at 31.12.2022. The increase primarily derived from an increase in the property, plant, and equipment line primarily as a result of significant investments in renovating and converting stores in order to launch the Carrefour chain, in the right of use assets line that had resulted from the extension of existing rental agreements and entering into new agreements, and an increase in intangible assets primarily as a result in the Carrefour franchise asset in the food segment.

#### Liabilities

- 2.3** The total current liabilities amounted to approximately NIS 2,999,000,000 as at 31.03.2023, as compared with approximately NIS 2,658,000,000 as at 31.12.2022. The change primarily derived from the securing of inventories and because of investments in the renovation and conversion to Carrefour stores, and an increase in trade payables because of the increase in the Company's operations, an increase in credit from banks, and a payable dividend.
- 2.4** The total non-current liabilities amounted to NIS 2,959,000,000 as at 31 March 2023, as compared with NIS 2,815,000,000 as at 31 December 2022. The increase primarily derived from an increase in the long-term bank loans entry, that had primarily resulted from the taking of new loans during the reporting period in the sum of NIS 148 million

by Global Retail C.I. Ltd., and from an increase in leasing liabilities corresponding to a parallel increase in right of use assets.

### **Shareholder equity**

- 2.5** Shareholder equity amounted to NIS 1,180,000,000 as at 31 March 2023, as compared with approximately NIS 1,224,000,000 as at 31 December 2022. The decrease in equity during the reporting period primarily derived from comprehensive loss in the sum of NIS 48 million and the dividend declared during the r in the sum of NIS 35 million, offset in part by the issuing of equity to non-controlling interests in a consolidated company in the sum of NIS 42 million.

### **Financial debt, net**

- 2.6** The Company's financial debt, net amounted to approximately NIS 2,698,000 as at 31 March 2023, as compared with financial assets, net of approximately NIS 2,498,000,000 as at 31 December 2022.

- 2.7** The Company's financial debt, net, after eliminating leasing liabilities (IFRS 16), amounted to a financial debt, net of approximately NIS 789 million as at 31 March 2023, as compared with a financial debt, net of approximately NIS 611 million as at 31 December 2022.

The increase in the financial debt, net, as at 31 March 2023 compared with 31 December 2022 is mainly due to renovation and conversion of branches and their preparation for the launch of Carrefour on 9 May 2023 and from negative cash flow from operating activity, mainly due to a decrease in sales turnover from the food sector following the closing of branches in favour of their conversion and preparation for the launch of Carrefour.

## 2.8 Segmental assets and liabilities

	31 March 2023					
	Electrical consumer products segment	Electrical retail segment	Retail food segment	Sports and leisure segment	Investment property, adjustments, and other segment	Total
	NIS Thousands					
<b>Current assets</b>	1,298,874	655,483	510,295	169,375	(184,412)	2,449,615
<b>Non-current assets</b>	236,836	415,620	3,320,194	311,260	405,699	4,689,609
<b>Current liabilities</b>	555,129	986,699	1,394,201	130,184	(66,842)	2,999,371
<b>Non-current liabilities</b>	142,066	199,268	1,849,173	164,868	604,074	2,959,449
<b>Financial asset (debt), net</b>	(16,990)	(137,434)	(1,968,216)	(211,453)	(363,979)	(2,698,072)
<b>Financial asset (debt), net (without IFRS 16)</b>	(805)	56,865	(440,070)	(40,417)	(363,979)	(788,406)

	31 March 2022					
	Electrical consumer products segment	Electrical retail segment	Retail food segment	Sports and leisure segment	Investment property, adjustments, and other segment	Total
	NIS Thousands					
<b>Current assets</b>	1,427,211	588,844	365,603	123,413	(348,715)	2,156,356
<b>Non-current assets</b>	206,317	440,425	3,000,874	216,448	388,300	4,252,364
<b>Current liabilities</b>	525,154	896,209	1,230,887	57,779	(37,628)	2,672,401
<b>Non-current liabilities</b>	81,542	222,187	1,530,762	111,517	552,889	2,498,897
<b>Financial asset (debt), net</b>	205,782	(84,456)	(1,652,336)	(68,319)	(492,671)	(2,092,000)
<b>Financial asset (debt), net (without IFRS 16)</b>	223,196	128,876	(239,231)	49,830	(492,671)	(330,000)

	31 December 2022					
	Electrical consumer products segment	Electrical retail segment	Retail food segment	Sports and leisure segment	Investment property, adjustments, and other segment	Total
	NIS Thousands					
<b>Current assets</b>	1,203,004	597,847	404,968	175,039	(191,088)	2,189,770
<b>Non-current assets</b>	237,603	591,227	3,164,160	321,637	192,073	4,506,700
<b>Current liabilities</b>	414,735	923,841	1,189,963	147,424	(18,175)	2,657,788
<b>Non-current liabilities</b>	139,133	205,129	1,748,660	169,003	552,949	2,814,874
<b>Financial asset (debt), net</b>	10,594	(105,457)	(1,809,464)	(219,372)	(374,588)	(2,498,287)
<b>Financial asset (debt), net (without IFRS 16)</b>	26,236	94,633	(317,028)	(39,932)	(374,588)	(610,679)

### 3. Results of activities by quarter:

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

	Quarter 1-3/2023		Quarter 1-3/2022		For the year ended at December 31 2022	
		(*)		(*)		(*)
Revenues from sales and provision of services	1,505,526		1,450,490		6,242,313	
Cost of sales and provision of services	1,073,861		1,031,953		4,416,155	
Gross profit	431,665	28.7%	418,537	28.9%	1,826,158	29.3%
Selling and marketing expenses	(395,259)		(339,693)		(1,476,274)	
Administrative and general expenses	(27,004)		(23,103)		(107,176)	
Research and development expenses	(3,568)		(1,005)		(8,115)	
Group's share in losses of companies treated according to the equity method, net	(318)		-		(140)	
Operating income before other income, net, and reorganisation expenses	5,516	0.4%	54,736	3.8%	234,453	3.8%
Other income (expenses), net	(2,517)		30,979		15,627	
Reorganisation expenses	-		-		(51,830)	
Operating income after other income (expenses), net, and reorganisation expenses	2,999	0.2%	85,715	5.9%	198,250	3.2%
Financing income	2,483		1,041		3,400	
Financing expenses	(51,818)		(27,545)		(129,983)	
Profit (loss) before taxes on income	(46,336)	(3.1%)	59,211	4.1%	71,667	1.1%
Taxes on income	(6,331)		(17,331)		(28,037)	
Net profit (loss)	(52,667)	(3.5%)	41,880	2.9%	43,630	0.7%
Net income (loss) attributable to Company shareholders	(10,511)		46,604		102,927	

(\*) Percentage of turnover

#### 3.2 Revenues

The Group's revenues amounted to NIS 1,506,000,000 in the first quarter of 2023, as compared with NIS 1,450,000,000 in the parallel period of the previous year, an increase of approximately 4%. The increase in sales turnover primarily derived from an increase in sales in the electrical retail segment, which primarily derived from an increase in duty free sales and an increase in same store sales, an increase in sales in the electrical consumer goods segment, mainly due to an increase in the heating systems for export segment, which was partly offset by a decrease in the brand trade sector, and an increase in sales in the sports and leisure segment, which was partly

offset by a decrease in sales in the food segment, mainly due to the closing of branches to convert and prepare them for the launch of Carrefour, which had an estimated negative contribution of NIS 78 million. (See section 4 below for additional details in connection with reporting on business segments.)

### **3.3 Gross profit**

The gross profit rate in the first quarter of 2023 stood at 28.7% of the sales turnover, as compared with 28.9% in the parallel period of the previous year. The gross profit in the first quarter of 2023 amounted to NIS 432,000,000, as compared with NIS 419,000,000 in the parallel period of the previous year, an increase of approximately 3.1%. The increase in gross profit primarily derived from an increase in electrical retail sales and an increase in sports and leisure sales turnover, that was partly offset by a decrease in gross profit in the food sector primarily because of the closing of branches in order to convert and prepare them for the launch of Carrefour. (See section 4 below for additional details in connection with reporting on business segments.)

### **3.4 Selling and marketing expenses**

Selling and marketing expenses amounted to NIS 395 million (26.3% of sales turnover) in the first quarter of 2023, as compared with NIS 340,000,000 (23.4% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from an increase in sales and marketing expenses in the food segment, which primarily derived from an increase in depreciation expenses resulting from accelerated depreciation under the reorganisation plan in 2022 and the accelerated launch of Carrefour, and due to an increase in the retail segment and the sports and leisure segment due to an increase in sales turnover and the opening of new branches. (See section 4 below for additional details in connection with reporting on business segments.)

### **3.5 Administrative and general expenses**

Administrative and general expenses amounted to NIS 23 million (1.8% of sales turnover) in the first quarter of 2023, as compared to NIS 23 million (1.6% of sales turnover) during the parallel period of the previous year. The increase in expenses primarily derived from the retail food segment because of the logistical preparations for the launch of Carrefour and from the consolidation of Quik Technologies and Investments Ltd.'s operations.

### **3.6 Research and development expenses**

Research and development expenses amounted to NIS 3.6 million in the first quarter of 2023, as compared with NIS 1 million in the parallel period of the previous year. The increase in research and development expenses derives from an increase in expenditures that are directed to the development of future products from the climate systems plant (primarily, heating systems for export), and research and development expenses in the retail food segment in the sum of NIS 1.5 million as a result of the consolidation of the operations of Quik Technologies and Investments Ltd.

### **3.7 Operating income before other income, net**

Operating income before other income, net, amounted to NIS 5.5 million in the reporting period, as compared with NIS 54.7 million in the parallel period of the previous year, an increase of approximately 90%, deriving - as noted - from the retail food market.

### 3.8 Other income (expenses), net

Other expenses, net, amounted to NIS 2.5 million in the first quarter of 2023, as compared with other income, net, of NIS 31 million in the parallel period of the previous year. Other income in the previous year primarily derived from the revaluation of investment property owned by the Company.

Below is a breakdown of the composition of other income (expenses):

	Quarter 1-3/2023	Quarter 1-3/2022	For the year ended at December 31 2022
	NIS Thousands		
Profit (loss) from disposal of property, plant, and equipment	2,052	489	(3,465)
Profit (loss) from improvement/impairment of investment property	(362)	30,953	27,999
Income from settlement with Huawei	-	-	13,508
Standards Institute of Israel fine	-	-	(3,419)
Transaction costs and consulting and other expenses for years preceding the acquisition of Bitan Wines	(3,690)	-	(2,923)
Revenues (expenses) from lawsuits	2,321	3,595	(6,194)
Expenses for setting up the support system when setting up the Carrefour chain prior to its operation	(4,432)	-	(7,519)
Other	1,594	(4,058)	(2,360)
<b>Total</b>	<b>(2,517)</b>	<b>30,979</b>	<b>15,627</b>

### 3.9 Operating income after other income (expenses), net

Operating income amounted to NIS 3 million in the first quarter of 2023, as compared with NIS 86 million in the parallel period of the previous year. The decrease in operating profit after other income (expenses), net, primarily derived from non-recurring income from the revaluation of investment property owned by the Company last year in the sum of NIS 30 million and operating loss after other expenses, net, in the retail food segment in the reporting period in the sum of NIS 52 million.

### 3.10 Financing income (expenses), net

Financing expenses, net, amounted to NIS 49 million in the first quarter of 2023, as compared with NIS 27 in the parallel period of the previous year. The increase in financing expenses, net, in the reporting period primarily derived from an increase in interest expenses for new loans taken out as from April last year and in the reporting period, in the retail food segment and due to an increase in the interest rate on loans following an increase in the prime interest rate in the sum of NIS 11 million as from April last year, an increase in credit card factoring expenses in the sum of NIS 2 million in the reporting period following the increase in the prime interest rate, and an increase in exchange rate differential expenses, net, and for hedging transactions in the sum of NIS 10 million in the reporting period, mainly due to a significant increase in the exchange rate of the EUR in the reporting period.

### 3.11 Income (losses) before taxes on income

Losses before taxes on income amounted to NIS 46.3 in the first quarter of 2023, as compared with income before taxes on income of NIS 59.2 million in the parallel period of the previous year, deriving primarily from the loss before taxes on income during the reporting period in the retail food market and the aforementioned revaluation of investment property done last year.

### 3.12 Taxes on income

Expenditures on taxes on income amounted to NIS 6 million in the first quarter of 2023, as compared with tax expenditures in the sum of NIS 17 million in the parallel period of the previous year. The decrease in tax expenses primarily derived from a decrease in income before tax.

### 3.13 3.13. Net income (loss)

Net loss amounted to NIS 52.7 million in the first quarter of 2023, as compared with net income of NIS 41.9 million in the parallel period of the previous year. Most of the change derived from a loss in the retail food segment during the reporting period and from a profit from the revaluation of investment property in the previous year.

### 3.14 Net income (loss) attributable to Company shareholders

Loss attributed to the Company's shareholders amounted to NIS 10.5 million in the first quarter of 2023, as compared with income attributed to the Company's shareholders amount to the sum of NIS 46.6 million in the parallel period of the previous year. Most of the change derived from a loss attributed to the Company's shareholders in the retail food segment during the reporting period and from a profit from the revaluation of investment property net of tax in the previous year.

### 3.15 EBITDA \*)

The EBITDA amounted to NIS 90 million in the first quarter of 2023, as compared with NIS 123 million in the parallel period of the previous year, a decrease of 26.8%. The decrease in EBITDA derived from a decrease in the retail food segment, primarily because of the closing of stores in order to convert and prepare them for the launch of Carrefour.

**EBITDA after neutralisation of the retail food segment amounted to NIS 84 million in the first quarter of 2023, as compared with NIS 79 million in the parallel period of the previous year, reflecting an increase of 5.7%.**

EBITDA, after neutralising the effects of IFRS 16, amounted to NIS 15.5 million in the first quarter of 2023, as compared with NIS 54.9 million in the parallel period of the previous year. The decrease in EBITDA derived, as noted, primarily from the retail food segment.

**EBITDA after neutralisation of the effects of IFRS 16 and after neutralisation of the retail food segment amounted to NIS 62.6 million in the first quarter of 2023, as compared with NIS 59.4 million in the parallel period of the previous year, reflecting an increase of 5.3%.**

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

### 3.16 Below is a summary of retail results:

Condensed results of retail activity for the three months ended 31 March 2023 compared with the corresponding period last year and as at 31 December 2022:

Electrical Retail Field in NIS Thousands		31.3.2023	31.3.2022	31.12.2022
<b>General Data</b>				
Number of franchise branches		2	2	2
Number of directly operated branches		77	75	77
Commercial space, gross (m2)		43,988	42,954	43,988
Human Capital	Branches	707	782	939
	Other	108	105	71
<b>Results of Operations</b>				
Revenues	Directly operated	484,441	420,705	1,950,372
Cost of sale	Variable costs	368,083	321,580	1,487,957
Rent (according to gross commercial space as set forth above)	After applying IFRS 16 (*)	11,821	2,946	39,195
	Without applying IFRS 16	21,687	15,112	80,613
Total salary costs attributed to retail operations employees (including contract worker expenses)		40,781	40,265	166,264
Depreciation expenses after applying IFRS 16		12,284	14,015	51,417
Segmental income		19,170	16,610	81,949
Operational working capital (**)		(132,102)	(77,279)	(107,232)
<b>Data With Regard To Redemption And Sales</b>				
Revenues per square metre - month average in NIS thousands		3.35	2.95	3.36
Change in revenues from same stores (%) (***)		10.8%	-17.8%	-6.3%

(\*) Including variable rent costs and not including depreciation and financing expenses.

(\*\*) Inventory balance and trade receivable balance, less trade payables balance.

(\*\*\*) For an explanation of the change percentage in revenues from same stores, see section 4.5(2) to the Board of Directors report as at 31 March 2023.

Electrical Retail Field	For the quarter ending		
	31.3.2023	31.3.2022	31.12.2022
<b>Group growth</b>			
Percent change in commercial/sales floor space	2.4%	16%	3.7%
Percent change in same store sales (*)	10.8%	-17.8%	-6.3%

(\*) For an explanation of the change percentage in revenues from same stores, see section 4.5(2) to the Board of Directors report as at 31 March 2023.

**The Board of Directors Report on the State of the Corporation's Affairs  
For the period ended at 31 March 2023**

Retail Food Field in NIS Thousands (****)		31.3.2023	31.3.2022	31.12.2022
<b>General data</b>				
Number of directly operated branches		150	151	152
Commercial space, gross (m2)		172,785	175,478	174,385
Commercial space, net (m2)		113,810	115,739	115,010
Human Capital	Branches	3,503	3,646	3,380
	Other	83	84	77
<b>Results of Operations</b>				
Revenues	Directly operated	639,346	686,266	2,825,530
	Other income	3,512	2,150	15,708
Cost of sale	Variable costs	456,689	482,215	1,930,947
Rent (according to net commercial space as set forth above)	After applying IFRS 16 (*)	3,287	4,581	15,151
	Without applying IFRS 16	51,405	52,808	212,853
Total salary costs attributed to retail operations employees (including contract worker expenses)		107,381	100,701	414,607
Depreciation expenses after applying IFRS 16		54,998	42,103	187,647
Operating income		(44,433)	3,244	46,482
Operational working capital (**)		(412,890)	(412,224)	(384,736)
<b>Data with regard to redemption and sales</b>				
Revenues per square metre - month average in NIS thousands		1.87	1.98	8.19
Change in revenues from same stores (% (***))		4.60%	-8.75%	-4.32%

(\*) Including variable rent costs and not including depreciation and financing expenses.

(\*\*) Inventory balance and trade receivable balance, less trade payables balance.

(\*\*\*) For an explanation of the change percentage in revenues from same stores, see section 4.5(3) to the Board of Directors report as at 31 March 2023.

(\*\*\*\*) In the retail food segment, the Company is also engaged in an exclusive franchise agreement with 7-Eleven Inc. where, as of 31 December 2022, it has begun to operate stores under the 7-Eleven brand in a scope that is immaterial to this field of activity or the Group's operations. Therefore, the data in this chapter are presented with 7-Eleven's operations.

Retail Food Field	For the quarter ending		
	31.3.2023	31.3.2022	31.12.2022
<b>Group growth</b>			
Percent change in commercial/sales floor space	-1.67%	-0.14%	-0.63%
Percent change in same store sales (*)	4.60%	-8.75%	-4.32%

(\*) For an explanation of the change percentage in revenues from same stores, see section 4.5(3) to the Board of Directors report as at 31 March 2023.

**The Board of Directors Report on the State of the Corporation's Affairs  
For the period ended at 31 March 2023**

The field of Sports and Leisure in NIS Thousands		31.3.2023	31.3.2022 (*)	31.12.2022 (**)
<b>General data</b>				
Number of directly operated branches		65	41	65
Commercial space, gross (m2)		18,199	10,030	18,199
Human Capital	Branches	412	303	491
	Other	84	62	62
<b>Results of Operations</b>				
Revenues	Directly operated	59,126	47,665	160,529
	Wholesale	12,917	7,862	53,673
Cost of sale	Variable costs	29,223	21,145	83,695
Rent (according to gross commercial space as set forth above)	After applying IFRS 16 (***)	1,091	183	1,370
	Without applying IFRS 16	8,947	4,434	22,312
Total salary costs attributed to retail operations employees (including contract worker expenses)		7,030	4,655	19,475
Depreciation expenses after applying IFRS 16		9,604	6,104	28,447
Segmental income		6,475	8,741	19,765
Operational working capital (****)		95,576	46,947	95,497
<b>Data with regard to redemption and sales</b>				
Revenues per square metre - month average in NIS thousands		1.05	1.55	0.72
Change in revenues from same stores (%) (*****)		-11%	126%	25% (*****)

(\*) Not including the results of Adidas's operations which were consolidated for the first time as of the fourth quarter of 2022.

(\*\*) Including Adidas's operations as of the fourth quarter of 2022 according to consolidation for the first time.

(\*\*\*) Including variable rent costs and not including depreciation and financing expenses.

(\*\*\*\*) Inventory balance and trade receivable balance, less trade payables balance.

(\*\*\*\*\*) For an explanation of the change percentage in revenues from same stores, see section 4.5(4) to the Board of Directors report as at 31 March 2023.

(\*\*\*\*\* ) Reclassified.

The Field of Sports and Leisure	For the quarter ending		
	31.3.2023	31.3.2022 (*)	31.12.2022 (**)
<b>Group growth</b>			
Percent change in commercial/sales floor space	81%	34%	87%
Percent change in same store sales (***)	-11%	126%	25% (****)

(\*) Not including the results of Adidas's operations which were consolidated for the first time as of the fourth quarter of 2022.

(\*\*) Including Adidas's operations as of the fourth quarter of 2022 according to consolidation for the first time.

(\*\*\*) The explanation for the amount of growth in the quarter ended at 31 March 2022, in the sum of 126%, is a result of the chain's stores having been closed during January 2021 because of lockdowns. For further explanation of the change percentage in revenues from same stores, see section 4.5(4) to the Board of Directors report as at 31 March 2023.

(\*\*\*\*) Reclassified.

## 4. Report on Business Segments

### 4.1 Revenues (in NIS Thousands)

	For the three months ended at 31 March		
	In NIS Thousands		
	2023	2022	% change
Electrical consumer products	346,573	324,549	6.8%
Electrical retail	484,441	420,705	15.1%
Retail food	644,694	688,415	(6.4%)
Sports and leisure	72,043	55,527	29.7%
Investment property	2,862	2,751	4.0%
Adjustments and other	(45,087)	(41,457)	-
<b>Total</b>	<b>1,505,526</b>	<b>1,450,490</b>	<b>3.8%</b>

### 4.2 Segmental income (loss) (in NIS Thousands):

	For the three months ended at 31 March		
	In NIS Thousands		
	2023	2022	% change
Electrical consumer products	36,713	38,809	(5.4%)
Electrical retail	18,278	15,886	15.1%
Retail food	(48,896)	2,260	(2,263%)
Sports and leisure	6,272	9,025	(30.5%)
Investment property	2,823	2,751	2.6%
Adjustments and other	(4,910)	(3,316)	-
Total segmental income	10,280	65,415	(84.3%)
Other income (expenses)	(2,517)	30,979	(108.1%)
Unallocated shared expenses	(4,764)	(10,679)	-
<b>Operating income</b>	<b>2,999</b>	<b>85,715</b>	<b>(96.5%)</b>

### 4.3 Segmental EBITDA (in NIS Thousands):

	For the three months ended at 31 March		
	In NIS Thousands		
	2023	2022	% change
Electrical consumer products	43,761	44,939	(2.6%)
Electrical retail	30,562	29,901	2.2%
Retail food	6,762	44,363	(84.8%)
Sports and leisure	15,876	15,129	4.9%
Investment property	2,823	2,751	2.6%
Adjustments and other	(4,694)	(3,014)	-
Total segmental EBITDA	95,090	134,069	(29.1%)
Unallocated shared expenses	(4,764)	(10,679)	-
<b>EBITDA</b>	<b>90,326</b>	<b>123,390</b>	<b>(26.8%)</b>

#### 4.4 Segmental EBITDA After Neutralising the Effects of IFRS 16 (in NIS Thousands):

	For the three months ended at 31 March		
	In NIS Thousands		
	2023	2022	% change
Electrical consumer products	42,162	43,539	(3.2%)
Electrical retail	20,085	17,197	16.8%
Retail food	(47,166)	(4,567)	(932.8%)
Sports and leisure	7,580	10,175	(25.5%)
Investment property	2,823	2,751	2.6%
Adjustments and other	(4,694)	(3,014)	-
Total segmental EBITDA	20,790	66,081	(68.5%)
Unallocated shared expenses	(5,323)	(11,186)	-
EBITDA	15,467	54,895	(71.8%)

#### 4.5 Explanation of the data that appears in the table

##### (1) Electrical consumer products

The sales turnover amounted to NIS 347 million in the reporting period, as compared with NIS 325 million in the parallel period of the previous year, which constitutes an increase of approximately 6.8%. The increase in income primarily derived from the increased sales of heating systems for export. Segmental income after neutralising other income, net, amounted to NIS 37 million in the reporting period, as compared with NIS 39 million in the parallel period of the previous year. The decrease in segmental profit derived primarily from solar energy operations in the sum of NIS 2 million. (See Note 4A to the interim consolidated financial statements regarding the merger of solar energy operations with Rav Bariach.) If the improvement in trend in segmental revenue continues, the Company expects that segment turnover in 2023 will amount to NIS 1.42 billion.

The expected sales turnover in the electrical consumer products segment constitutes forward facing information as defined in the Securities Law that is based, inter alia, on the continued improvement trend in revenues in the electrical consumer products securities, which could be affected by factors outside of the Company's control, including those risk factors involved in its operations. Accordingly, there is no certainty that what is stated above will be realised, and the actual results may significantly differ from the assessments that are set forth above.

##### (2) Electrical retail

The sales turnover amounted to NIS 484 million in the reporting period, as compared with NIS 421 million in the parallel period of the previous year, which constitutes an increase of approximately 15.1%.

The sales in the same stores in the segment that fully operated in the reporting period increased in comparison to the parallel period of the previous year by approximately 10.8%. The increase in sales primarily derived from the timing of the Passover holiday and the increase in duty free sales. The sales in the same

stores in the segment that fully operated in the months of January-April increased in comparison to the parallel period of the previous year by approximately 2.7%.

Monthly average sales per square metre in the same stores amounted to NIS 3,304 per square metre, as compared with NIS 2,955 per square metre in the parallel period of the previous year.

Segmental income after neutralisation of other income, net, increased to NIS 19 million, which constitutes approximately 3.8% of the turnover, in the reporting period, as compared with NIS 16 million, which constitutes 3.8% of the turnover, in the parallel period of the previous year. The increase primarily derived from an increase in sales due to the timing of the holiday and the increase in duty free activity, as aforesaid, and an improvement in the gross profit rate following an increase of 32% in sales of Electra brand products.

### **(3) Retail food**

The sales turnover amounted to NIS 645,000,000 in the reporting period, reflecting a decrease of 6.4%, as compared with NIS 688 million in the parallel period of the previous year. The decrease in revenue turnover primarily derived from the closing of branches and the partial operation of branches, in order to renovate and convert them to Carrefour, which was launched with the opening of 50 branches on May 9, 2023, as aforesaid, with an estimated negative contribution of NIS 78 million.

The sales in the same stores in this segment that fully operated in the reporting period increased by 4.6% as compared to the parallel period of the previous year. (Stores that were closed for renovation and conversion - Carrefour - were not taken into account in the above calculation.)

Monthly average sales per square metre amounted to NIS 1,964, as compared with NIS 1,984 per square metre in the parallel period of the previous year.

Segmental lose after neutralising other income, net, amounted to NIS 49 million in the reporting period, as compared with income after neutralising other income, net, of NIS 2 million in the parallel period of the previous year and primarily derived from the decrease in said revenues turnover, from accelerated depreciation and increased headquarters salary costs primarily because of the reorganisation plan implemented in 2022 and the acceleration of the launch of Carrefour, and from the full consolidation during the reporting period of Quik Technologies and Investments Ltd.'s operations that contributed to said segmental loss.

See Notes 4B and 4E to the interim consolidated financial statements for additional details regarding these financing agreements and regarding the financial position of the second-tier subsidiary, Global Retail C.I. Ltd. (formerly Bitan Wines Ltd.).

### **(4) Sports and leisure**

The sales turnover amounted to NIS 72 million in the reporting period, reflecting an increase of 29.7%, as compared with NIS 56 million in the parallel period of the previous year, resulting from weak winter operations this year. The increase in revenue turnover was due to an increase in the revenue of Sa'ar, among other

things, due to the opening of new branches and an increase in wholesale activity, and following the acquisition of Adidas activity, which was included in the segment results starting from the fourth quarter of 2022, which contributed revenue amounting to NIS 11 million in the reporting period.

Same store sales in this segment, which operated fully in the reporting period, decreased by 10.9% compared with the corresponding period last year, due to weak winter operations this year. Nevertheless, same store sales of Adidas, which was consolidated as from the fourth quarter of 2022, as aforesaid, grew at a rate of 7% compared with the corresponding period last year in the pro forma statement. Proforma sales in same stores in this segment that operated fully during the period starting on 1 January 2023 and ending on 30 April 2023 decreased by 8.6%.

Segmental income after neutralising other income, net, amounted to NIS 6 million in the reporting period, as compared with income after neutralising other income, net, of NIS 9 million in the parallel period of the previous year. The decrease in segmental income primarily derived from said decreased sales in the same stores.

**(5) Investment property**

The sales turnover amounted to NIS 3 million in the reporting period, as compared with NIS 3 million in the parallel period of the previous year.

The segmental profit amounted to NIS 3 million in the reporting period, as compared with NIS 34 million in the parallel period of the previous year.

The increase in segmental income last year derives primarily from the revaluation of investment property owned by the Company in Rishon Le'Zion.

## 5. The impact of the implementation of International Financial Reporting Standard No. 16 – Leases

Impact of IFRS 16 – Leases on the consolidated statement of profit and loss (in NIS Thousands)

	31 March 2023		31 March 2022		31 December 2022	
	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases
Operating income	2,999	(12,830)	85,715	69,812	198,250	137,442
Financing income (expenses), net	(49,335)	(28,050)	(26,504)	(6,141)	(126,583)	(42,139)
Profit (loss) before taxes on income	(46,336)	(40,880)	59,211	63,671	71,667	95,303
Taxes on income	(6,331)	(6,331)	(17,331)	(17,331)	(28,037)	(28,037)
<b>Net profit (loss) from continuing operations</b>	<b>(52,667)</b>	<b>(47,211)</b>	<b>41,880</b>	<b>46,340</b>	<b>43,630</b>	<b>67,266</b>
Net income (loss) attributable to Company shareholders	(10,511)	(11,521)	46,604	45,459	102,927	122,849
<b>EBITDA</b>	<b>90,326</b>	<b>15,467</b>	<b>123,390</b>	<b>54,895</b>	<b>530,243</b>	<b>250,694</b>

Below are details of the adjustments made in order to present the results net of the effect of IFRS 16 - Leases:

	For the three months ended at 31 March		For the year ended at 31 December
	2023	2022	2022
NIS Thousands			
<b>Operating income as reported</b>	<b>2,999</b>	<b>85,715</b>	<b>198,250</b>
Additional rental expenses resulting from the neutralisation of the effects of applying IFRS 16	(74,859)	(68,495)	(279,549)
Net of depreciation affects - IFRS 16	59,030	52,592	218,741
<b>Operating profit (loss) after neutralisation of IFRS 16</b>	<b>(12,830)</b>	<b>69,812</b>	<b>137,442</b>
Net of effects of financing expenses when applying IFRS 16	21,285	20,363	84,444
<b>EBITDA as reported</b>	<b>90,326</b>	<b>123,390</b>	<b>530,243</b>
Inclusion of rent expenses	(74,859)	(68,495)	(279,549)
<b>EBITDA after neutralising effects of IFRS 16</b>	<b>15,467</b>	<b>54,895</b>	<b>250,694</b>

## 6. Distribution of the sources of financing

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

	For the three months ended at 31 March		For the year ended at 31 December
	In NIS Thousands		In NIS Thousands
	2023	2022	2022
Cash flows generated (absorbed) by			
Current operations	(71,536)	82,695	329,293
Investment operations	(204,933)	(55,430)	(281,653)
Cash used in discontinued operations	-	-	(87,500)
Financing	155,360	90,729	258,918
<b>Total cash increase (decrease)</b>	<b>(121,109)</b>	<b>117,994</b>	<b>219,058</b>

### 6.2 Cash flows from regular operations

Net cash used for current operations amounted to NIS 72 million in reporting period, as compared with net derived from current operations in the sum of NIS 83 million in the previous year. The decrease in cash flow from operating activities in the reporting period compared with the corresponding period last year primarily derived from the decrease in sales turnover of the food segment due to the closing of branches in order to convert and prepare them for launch of Carrefour and due to an increase in inventory balances following stocking up for the merger season and stocking up in the food segment before the launch of Carrefour.

### 6.3 Cash flows absorbed by investment activity

Net cash that was used by investment activity amounted to NIS 205 million in the reporting period, as compared with NIS 55 million in the parallel period of the previous year. The increase in the reporting period was due to the cash investment in short-term deposits in the sum of NIS 115 million and an increase in investments in fixed assets in the sum of NIS 92 million in the reporting period compared with last year, mainly in the food segment following the renovation and conversion of stores and their preparation for the launch of Carrefour.

### 6.4 Cash flows generated by financing activity

The net cash that derived from financing activity amounted to NIS 155 million in the reporting period, as compared with net cash that was absorbed by financing activity of NIS 91 million in the parallel period of the previous year. The increase in net cash arising from financing activities primarily derived from long-term loans from banks and other corporations in the sum of NIS 154 million, mainly in the food segment as aforesaid, for the renovation and conversion of branches and their preparation for the launch of Carrefour, the issuance of equity to holders of non-controlling rights in a subsidiary in the sum of NIS 42 million, and to short-term credit from banks in the sum of NIS 19 million.

## 7. Events After the Balance Sheet Date

For details about events after the balance sheet date, see Note 9 to the interim consolidated financial statements.

## 8. Effects of Inflation and Increased Interest Rates on Financial Disclosure and Reporting

Over the last several years, inflation rates in Israel have been low and almost throughout these years, have maintained a range of up to 1%. As of 2021, there has been an increase in inflation rates in Israel and around the world, with the consumer price index in Israel increasing by 2.8%. In 2022, the CPI increased by 5.3% and during the first quarter of 2023, the CPI increased by 1.2%. According to the Bank of Israel's research arm, the 2023 rate of inflation is expected to come to 3.9% and in 2024, to 2.3%. As part of its attempt to slow down the inflation rate in Israel, the Bank of Israel has begun to raise interest starting in April 2022, in a number of increments, from the negligible rate that had prevailed for many years, to its current level of 4.75%, and according to the Bank of Israel forecast, Israel's monetary interest rate is expected to come to an identical amount on average during the first quarter of 2024. The Company has long-term liabilities to banks in the sum of NIS 750 million, linked to the prime rate (of which, NIS 498 million is attributed to Bitan Wines) and short-term liabilities to banks in the sum of NIS 184 million, linked to the prime rate, for which the Company does not maintain cash balances or deposits. Conversely, the Company has short-term variable interest deposits and thus, in light of the expected increase in bank interest, each 1% increase is expected to increase the Group's net interest expenses by NIS 6 million annually both in terms of the effect on the Company's results as well as in terms of the effect on the Company's cash flows. Additionally, the Company pays property owners rent for its branches and offices that is for the most part linked to the consumer price index where every additional 1% increase in the consumer price index is expected to increase rental costs by NIS 4 million annually, both in terms of the effect on the Company's results as well as in terms of the effect on the Company's cash flows.

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

**We note that the Company's assessments - regarding the possible implications of the increase in the prime interest rate and the increase in the consumer price index on its operations and business - are uncertain, outside of the Company's control, and amount to forward facing information as the term is defined in the Securities Law, 5728-1968. These assessments are based, inter alia, on Company management's experience with the market (including with economic crises), and accordingly, the materialisation and/or scope of the assessments are uncertain.**

## 9. Buyback Plan

There was no change regarding the Company's share buyback plan during the reporting period. For details, see Section 10 to the Board of Directors Report attached to the Company's Periodic Report for 2022.

## 10. Directors with Accounting and Financial Expertise

During the reporting period, there was no change regarding the minimum number of directors who have special financial-accounting expertise that the Company Board of Directors must include.

## 11. Independent Directors

During the reporting period, there was no change regarding the independent directors as set forth in the Company's Periodic Report for 2022.

## 12. Disclosure Regarding the Internal Auditor

During the reporting period, there were no material changes regarding data about the Company's internal auditor as set forth in the Company's Periodic Report for 2022.

## 13. Disclosure Regarding Critical Accounting Estimates

See the Board of Directors report for 31 December 2022.

## 14. Report on the Liabilities Position of the Company and the Consolidated Companies

Data on the Company's liabilities position as at 31 March 2023 are included in this report by way of reference to such data in the Company's immediate report on the Company's liabilities position by repayment dates, which the Company published in tandem with this report.

## 15. Financial Benchmarks

Below is a table that sets forth the various criteria that the Company undertook with respect to bondholders and the calculation of whose results are accurate as at 31 March 2023:

Security	Balance of the par value of the security in circulation (in NIS Thousands)		Financial benchmark	Actual benchmark as at 31 December 2023
	As at 31 March 2023	Immediately prior to reporting date		
(Series A) Bonds/Debentures	428,125	428,125	<b>Tangible equity</b> – the Company's "solo" tangible equity at the end of the review period (as defined in the deed) shall not be less than NIS 350,000,000.	NIS 644 million
			<b>Ratio of net financial debt to net balance sheet</b> – The ratio of the net financial debt to the net balance sheet at the end of the review period (as defined in the deed) shall not exceed 67%.	11.99%

## 16. Below are Details About the (Series A) Bonds (in NIS Thousands)

### 16.1 The table below includes a summary of data about the Company's bonds in circulation as of the Reporting Date

Bonds (Series A)(1)	
Disclosure item	Details about the bonds (Series A)
1. Issuance date	7 February 2022, pursuant to a shelf offering report;(2) 17 August and 20 December 2022, in the framework of private offerings to classified investors(3)
2. Total par value on the date of issue(2) Total par value on the date that the series was expanded(3)	NIS 250,000,000 par value NIS 100,000,000 par value; NIS 78,125,000 par value
3. Par value balance as at 31 December 2022	NIS 428,125,000 par value
4. Par value balance on the reporting date	NIS 428,125,000 par value
5. The par value balance on the reporting date, revalued according to linkage terms	The series is not linked.
6. Amount of carried accrued interest as at 31 March 2023	NIS 2m233,000(4)
7. Market value as at 28 May 2023	NIS 386.7 million
8. Type of interest	Fixed interest at a rate of 2.1%. Note that the trust deed for the (Series A) bonds dated 2 February 2022 (the "Trust Deed") establishes a number of adjustment mechanisms for changing the annual interest rate for the (Series A) bonds due to failure to meet minimal tangible equity, due to failure to meet the net financial debt to EBITDA ratio, or due to a change in the (Series A) bond rating. According to the above (cumulative) adjustment mechanisms, the total amount of interest supplements shall not exceed 1.25% (other than in the event of an entitlement to interest on arrears). For details, see Sections 5.21, 5.22, and 5.23 to the Trust Deed.
9. Dates for payment of principal	The (Series A) bonds are payable in seven (7) unequal annual instalments as follows: four (4) payments at a rate of 12.5% each on 31 December of each of the years 2023 through 2026 (inclusive), two (2) payments at a rate of 15% each on 31 December of each of the years 2027 and 2028 (inclusive), and an additional payment of 20% on 31 December 2029. The first instalment of the principal will be paid on 31 December 2023, and the final instalment of the principal will be paid on 31 December 2029.
10. Interest payment dates	The interest for the (Series A) bonds will be paid (or was paid, as applicable) in equal amounts semi-annually on 30 June and 31 December in each of the years 2022 through 2029 (inclusive) such that the first interest payment was 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

**The Board of Directors Report on the State of the Corporation's Affairs  
For the period ended at 31 March 2023**

<b>Bonds (Series A)(1)</b>		
<b>Disclosure item</b>		<b>Details about the bonds (Series A)</b>
13.	Early repayment or forced conversion of bonds	The Company shall be entitled, at its initiative, to call the (Series A) bonds due for early repayment, all according to the provisions of section 7.2 to the Trust Deed.
14.	Guarantee for payment of the Company's obligations pursuant to the Trust Deed	None
15.	Fulfilment of the terms and obligations pursuant to the Trust Deed	As of the report date, the Company has been meeting all of its above-described financial terms and obligations. Additionally, as of the report date, to the best of the Company's knowledge, the Company has not breached its obligations as established in the (Series A) bonds' Trust Deed, and no conditions have occurred that establish cause for calling the above bonds due for immediate repayment.
16.	Is the Company required by the trustee to perform various actions, including calling meetings of bondholders?	No
17.	Details of guarantees/liens	None
<b>Details about the trustee for the holders of (Series A) bonds</b>		
1.	Trustee name	Mishmeret Trust Company Ltd.
2.	Bond Administrator	Mr Rami Sabati, CPA
3.	Contact information	48 Menachem Begin Blvd., Tel Aviv, Telephone: 03-6374351, Fax: 03-6374344, email address: RamiS@mtrust.co.il
<b>Details about the (Series A) bond rating</b>		
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 publication date	'iIAA-' (December 2022)(5)
4.	Additional ratings between the date of issue and the report date	'iIAA-' (August and September 2022)

- (1) As of the reporting 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.
- (2) On 3 February 2022, the Company published a shelf offering report (reference number: 2022-01-013488), in which the Company made an initial public offering of NIS 250,000,000 par value of the Company's (Series A) bonds.
- (3) On 17 August and 20 December 2022, the Company made a private offering to classified investors in the sum of NIS 100 million par value and NIS 78.125 million par value, respectively, of (Series A) Company bonds by way of expanding a series (reference numbers: 2022-01-084156 and 2022-01-120543, respectively).
- (4) The amount of interest accrued as at 28 May 2023 in respect of the (Series A) bonds is NIS 3,685,000.
- (5) For details about the updated ratings report for the (Series A) bonds as of the date of the publication of this report, see the Company's immediate report dated 18 December 2022 (reference number: 2022-01-120141), which is included in this report by way of reference.

## 16.2 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 Report Regulations, to ascertain, from time to time, whether there are indications of a liquidity problem at the Company.

As at 31 March 2023, the Company listed, in its consolidated financial statements, negative working capital (net) (current assets less current liabilities) of NIS 550 million and a negative operating capital (net) - which characterises retail operations such as the Company's - of NIS 149 million. Similarly, as at that date, the Company has a negative working capital (net) (current assets less current liabilities) of NIS 119 million and a negative operating capital (net), according to the Company's separate (solo) financial data, of approximately NIS 4 million.

Net of the food segment, the Company has positive working capital (net) (current assets less current liabilities) in the sum of NIS 274 million, and positive operating working capital (net) in the sum of NIS 330 million.

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

## Appendix A: Supplements to the Company's Periodic Report for 2022

At the request of the Israel Securities Authority regarding the review of the Company's draft shelf prospectus, below is supplementary information regarding the Company's Periodic Report for 2022 as published on 26 March 2023 (Ref. No. 2023-01-027196 ) (the "Periodic Report for 2022").

### Description of the Corporation's Business

#### 1. Electrical Consumer Products Segment - Order Backlog

Below is a disclosure regarding order backlogs in the electrical consumer products segment:

Period	Estimated backlog as at 31 December 2022 (in NIS millions)
Air-conditioner projects	80
Daikin product projects	60
Water product projects	35
<b>Total</b>	<b>175</b>

In accordance with the sales method in the electrical consumption products segment, which is carried out in the form of supply according to the customer's requirements, this refers to an order backlog for products and not for ongoing services, therefore most of the products should be supplied within one year.

#### 2. Climate Control Systems Plant

Further to section 7.2.2 to Part A to the 2022 periodic report and Note 14A(2) to the Company's financial statements as at 31 December 2022, on 16 November 2022, the government's appraiser's decision regarding the first objection was received, in which the government appraiser rejected most of the Company's arguments and determined that the value of the land exceeds the subject of the assessment by NIS 5.9 million.

It is the Company's position, based as well on its legal counsel's position that the adjudicating appraiser's decision is fundamentally wrong and thus, on 16 January 2023, the Company filed an objection to the government appraiser's decision. If the position of the government appraiser is accepted, the Company will be required to pay, with the addition of linkage differences, the amount of NIS 6.3 million for the value of the land.

#### 3. Electrical Retail Field - Critical Success Factors in the Field

Further to section 8.2.3 to Chapter A to the Periodic Report for 2022, regarding the exchange of correspondence between the Israel Airports Authority and the Company regarding the amount of permit fees for operating stores in the Ben Gurion Airport complex, there are no material differences between the position of the Company and the position of the Israel Airports Authority regarding the payments made by the Company up to and including 31 March 2023.

**Board of Directors Report**

4. Net Income

Further to section 3.1.13 to the Board of Directors' Report in the Periodic Report for 2022 regarding the pro forma results of the retail food segment, below is supplementary disclosure:

	<b>12 Month Results (in the Previous Year, Results of Consolidation are Presented Pro-Forma):</b>		
	<b>Food segment</b>		
	<b>NIS Thousands</b>		
	<b>1-12/2022</b>	<b>(* 1-12/2021</b>	
Sales	2,841,238	2,953,901	(1)
Cost of sale	1,930,736	2,023,736	(2)
<b>Operating profit</b>	<b>910,502</b>	<b>930,165</b>	
Sales and marketing expenses	802,332	740,807	(3)
Administrative and general expenses	65,323	73,303	(4)
Research and development expenses	2,927	-	(5)
Operating income before other income (expenses), net, and reorganisation expenses	39,920	116,055	(6)
EBITDA	227,762	279,646	(7)
Reorganisation expenses	51,830		(8)
Other income (expenses)	(21,038)	15,114	(9)
Financing expenses	(93,248)	(101,891)	(10)
Profit (loss) before tax	(126,196)	29,278	
Net profit (loss)	(126,196)	29,218	
Profit (loss) for majority shareholders	(52,430)	10,448	

\* ) Results for the year ending at 31 December 2021 are presented as pro forma. (The actual consolidation began on 1 June 2021)

1. The decrease in sales turnover is due to the effect of the last Covid-19 lockdown in the first quarter of 2021, the closing of branches for renovation and conversion to the temporary SUPER brand in 2022, as part of the transition to the Carrefour brand, competition due to the opening of new branches of competitors nearby the Group's branches that provide an upgraded customer experience (offset by additional revenue in the sum of NIS 50 million from first time consolidation of the activity of the online retail partnership).
2. The decrease in the cost of sales primarily derived from the decrease in sales turnover, offset by the additional cost of sales for the activity of the online retail partnership in 2022 in an estimated amount of NIS 40 million, and on the other hand, a decrease in the cost of sales arising from the closure of branches in the renovation period and conversion to the temporary SUPER brand.
3. The increase in selling and marketing expenses primarily derived from an increase in labour costs amounting to NIS 11 million, additional costs due to first time consolidation of the online retail partnership SUPER starting in August 2022, in an estimated amount of NIS 8.5 million, an increase in depreciation expenses in the sum of NIS 26 million, and additional expenses.
4. The decrease in general and administrative expenses primarily derived from a decrease in expenses for professional consulting and other services in 2022 compared with the pro forma statement for 2021.
5. Research and development costs are due to first time consolidation of the partnership with an online retail partnership (consolidated for the first time as from 1 August 2022).
6. The decrease in operating profit before other revenue/expenses is due to first time consolidation of new activities (online retail partnership and 7-Eleven) and also due to the effect of the decrease in revenue as aforesaid and the increase in depreciation expenses.
7. The decrease in EBITDA is due to first time consolidation of new activities (online retail partnership and 7-Eleven) and also due to the effect of the decrease in revenue as aforesaid.
8. See Note 27G to the annual financial statements regarding reorganisation expenses incurred by Global Retail C.I. in 2022.

**The Board of Directors Report on the State of the Corporation's Affairs  
For the period ended at 31 March 2023**

9. Other revenue in 2021 includes mainly profit from cancellation of lease contracts in the sum of NIS 27 million, which was mainly offset by expenses related to arrangements for the disposal of previous relationships of the former controlling owner prior to acquisition of the Company in the sum of NIS 7.8 million and other expenses amounting to NIS 4.5 million. Other expenses in 2022 include mainly expenses for legal claims in the sum of NIS 6 million, loss from the disposal of fixed assets in the amount NIS 3.5 million, expenses for setting up a support system for establishment of the Carrefour chain prior to its operation in the sum of NIS 7.5 million, transaction expenses, and consultation expenses for years preceding the acquisition of Global Retail C.I. Ltd. by the Company in the sum of NIS 3 million and other expenses in the sum of NIS 1 million.
10. The difference between the financing expenses in 2021 and 2022 is mainly due to a decrease in financing expenses for the liability for IFRS 16.
5. Disclosure regarding retail activity as at 31 December 2022 – for information about the condensed results and changes in the electrical retail segment, retail food segment, and sports and leisure segment, see section 3.1.16 to the Board of Directors Report as at 31 March 2023 (the "Report for the First Quarter of 2023").
6. Further to the segments note in the financial statements included in the Periodic Report for 2022, regarding the revenue item, see Note 7 to the financial statements included in the Report for the First Quarter of 2023.
7. Below are details regarding formats in the electrical retail segment:

Mahsanei Hashmal and Shekem (not including Shekem Duty) in NIS Thousands	For the year ended at		
	31.12.2022	31.12.2021	31.12.2020
Number of branches	75	74	63
Commercial space	43,088	41,780	32,871
Number of employees	871	949	898
Change in revenues from same store sales (SSS)	-6.3%	-2.1%	20.1%
Revenues (*)	1,655,703	1,677,336	1,545,721
Percentage of the Company's total sales (%)	26.5%	36.1%	60.1%
Gross profit	391,395	389,389	347,518
Gross profit percentage	23.6%	23.2%	22.5%
Rent after applying IFRS 16 (according to gross commercial space as set forth above) (**)	12,889	12,304	12,675
Rent without applying IFRS 16 (according to gross commercial space as set forth above)	54,307	47,642	42,357
Depreciation expenses, including leasehold depreciation and amortisation of removal fees after applying IFRS 16	48,037	42,956	37,436
Investments (CAPEX)	5,949	13,499	7,602

(\*) Mahsanei Hashmal's revenues for 2022, 2021, and 2020 were NIS 1,407,998,000, 1,438,027,000, and 1,318,847,000, respectively. Shekem revenues (without Shekem Duty) for 2022, 2021, and 2020 amount to NIS 247,706, NIS 239,309, and NIS 226,874 thousand, respectively.

(\*\*) Including variable rent costs and not including depreciation and financing expenses.

Shekem Duty in NIS Thousands	For the year ended at	
	31.12.2022	31.12.2021
Number of branches	2	1
Commercial space	900	620
Number of employees	139	80
Change in revenues from same store sales (SSS) (*)	-	-

**The Board of Directors Report on the State of the Corporation's Affairs  
For the period ended at 31 March 2023**

Shekem Duty in NIS Thousands	For the year ended at	
	31.12.2022	31.12.2021
Revenues	294,669	102,634
Percentage of the Company's total sales (%)	4.7%	2.2%
Gross profit	71,020	26,114
Gross profit percentage	24.1%	25.4%
Variable (according to gross commercial space as set forth above)	26,306	2,259
Depreciation expenses, including leasehold depreciation and amortisation of removal fees after applying IFRS 16	3,380	2,412
Investments (CAPEX)	-	-

(\*) In 2021, Shekem Duty was only active for part of the year, therefore the rate of change in same store revenue cannot be presented.

## **Financial Statements**

8. Further to the statement of cash flows from operating activities presented in the financial statements included in the Periodic Report for 2022, regarding the other adjustments item in the statement of cash flow from operating activities, see the statement of cash flows from operating activities in the financial statements included in the Report for the First Quarter of 2023.
9. Further to Note 1 to the financial statements included in the Periodic Report for 2022 and section 17.2 to the Board of Directors' Report included in the Periodic Report for 2022, regarding how Global Retail C.I. Ltd. (formerly Bitan Wines Ltd.) addresses the working capital deficit, see Note 4E to the financial statements included in the Report for the First Quarter of 2023.
10. Further to Note 5A1 to the financial statements included in the Periodic Report for 2022, regarding a call option granted to the subsidiary for the acquisition of all the shares held by the Bitan family in Global Retail C.I. Ltd. (formerly Bitan Wines Ltd.), see Note 4F to the financial statements included in the Report for the First Quarter of 2023 regarding the mechanism for setting the value.
11. For further information about the options for the banks in Global Retail C.I. Ltd (formerly Bitan Wines Ltd.), see Note 4F to the financial statements included the Report for the First Quarter of 2023.
12. Further to Note 12B to the financial statements included in the periodic report for 2022, in January 2022, the Company, together with Reality, won a public tender announced by the City of Rishon Le'Zion for the acquisition of the ownership rights to parcels 15 and 75 on block 5032, in consideration of the total sum of NIS 106 million. The Company's share (50%) in investment property under construction – NIS 53 million. In accordance with the agreement between the parties, the Company undertook to lease office space from the joint venture, which will be constructed on Plot 75, covering at least 10 thousand square metres for the Company's headquarters. Accordingly, in view of the fact that part of the property is expected to be used by the Company itself, the relative part was presented as a fixed asset in the Company's financial statements, such that the balance of investment property under construction net of the part earmarked for the Company's use as at 31 December 2022 amounts to NIS 29 million.
13. For information about the split of revenue in the climate systems segment and in the brand trade segment, see Note 8 to the financial statements included in the Report for the First Quarter of 2023.
14. Further to the segments note in the financial statements included in the Periodic Report for 2022, regarding other income and expenses, see section 3.8 to the Board of Directors Report included in the Report for the First Quarter of 2023.

**The Board of Directors Report on the State of the Corporation's Affairs  
For the period ended at 31 March 2023**

15. Further to Note 21 to the financial statements included in the Periodic Report for 2022, regarding the other liabilities item, below is a description of the other liabilities item as at 31 December 2022:

	<b>In NIS Thousands</b>
Advance paid by Reality for the purchase of 50% of the land	24,063
Fair value adjustment to investment property for the binding sales agreement (see in Note 11F to the financial statements included in the Periodic Report for 2022)	25,808
Carrefour franchise long-term commitment	9,592
Commitment to Nahum Bitan for payment of management fees	9,902
Liability for grant from Isracard – Global Retail C.I. Ltd. Group (formerly Bitan Wines)	6,873
Non-controlling option in Electra Solar	6,800
Other	1,426
<b>Total</b>	<b>84,464</b>

16. Further to Note 25A to the financial statements included in the Periodic Report for 2022, regarding general supplier customer authorities claims, see Note 5A to the financial statements included in the Report for the First Quarter of 2023.
17. Further to Note 25B to the financial statements included in the Periodic Report for 2022 regarding legal claims, for further information about a claim against Global Retail C.I. Ltd. (formerly Bitan Wines Ltd.) of October 2020 regarding a claim and motion for its certification as a class action, see Note 5C to the financial statements included in the Report for the First Quarter of 2023.
18. Further to Note 31B (2) to the financial statements included in the Periodic Report for 2022 regarding agreements for loans from a number of banks to Global Retail C.I. Ltd. (formerly Bitan Wines Ltd.) see Note 4B to the financial statements included in the Report for the First Quarter of 2023.

## 17. Linkage-Bases Report as at 31 March 2023 (in NIS Thousands)

	Dollars	Euro	Total foreign currency	Unlinked	Linked	Non- monetary	Total
<b>Assets</b>							
Cash and cash equivalents	30,983	7,981	38,964	403,417	-	-	442,381
Deposits and short-term investments	14,498	-	14,498	101,837	-	-	116,335
Trade receivables	3,251	39,778	43,029	723,359	-	-	766,388
Other receivables	25,877	9,012	34,889	88,745	5,491	27,471	156,596
Inventory	-	-	-	-	-	967,915	967,915
Long-term trade and other receivables	-	3,154	3,154	5,339	8,593	-	17,086
Investment property	-	-	-	-	-	326,979	326,979
Investment property under construction	-	-	-	-	-	29,257	29,257
Property, plant, and equipment, net	-	-	-	-	-	467,759	467,759
Right of use assets, land	-	-	-	-	-	64,607	64,607
Right of use assets, other	-	-	-	-	-	1,654,750	1,654,750
Goodwill	-	-	-	-	-	1,958,263	1,958,263
Intangible assets	-	-	-	-	-	150,038	150,038
Deferred taxes	-	-	-	-	-	20,870	20,870
<b>Total assets</b>	<b>74,609</b>	<b>59,925</b>	<b>134,534</b>	<b>1,322,697</b>	<b>14,084</b>	<b>5,667,909</b>	<b>7,139,224</b>
<b>Liabilities</b>							
Credit from banks and others	-	-	-	263,917	-	-	263,917
Current maturities of bonds	-	-	-	49,725	-	-	49,725
Current maturities of leasing liabilities	-	-	-	-	211,213	-	211,213
Trade payables	219,009	108,283	327,292	1,556,302	-	-	1,883,594
Other payables	4	39,468	39,472	281,576	19,213	215,661	555,922
Dividends payable	-	-	-	35,000	-	-	35,000
Loans from banks and others	-	-	-	676,423	-	-	676,423
Bonds/Debentures	-	-	-	362,056	-	-	362,056
Leasing liabilities	-	-	-	-	1,698,454	-	1,698,454
Other non-current liabilities	-	9,109	9,109	37,607	-	97,954	144,670
Employee benefit liabilities, net	-	-	-	-	-	32,771	32,771
Deferred taxes	-	-	-	-	-	45,075	45,075
<b>Total liabilities</b>	<b>219,013</b>	<b>156,860</b>	<b>375,873</b>	<b>3,262,606</b>	<b>1,928,880</b>	<b>391,461</b>	<b>5,958,820</b>
Balance of the exposure of assets (liabilities) to results	(144,404)	(96,935)	(241,339)	(1,939,909)	(1,914,796)	5,276,448	1,180,404

Michael Salkind, Director  
authorised by the Board of  
Directors

Zvika Schwimmer,  
Chief Executive Officer

Date: 28 May 2023

**Electra Consumer Products (1970) Ltd.**

**Interim Consolidated Financial Statements for 31 March 2023**

**Unaudited**

**Table of Contents**

	<b><u>Page</u></b>
Review of Interim Consolidated Financial Statements	2
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Profit and Loss and Other Comprehensive Income	5-6
Consolidated Statements of Changes in Equity	7-9
Consolidated Statements of Cash Flows	10-13
Notes on the Interim Consolidated Financial Statements	14-33

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

**Introduction**

We have reviewed the attached financial information for Electra Consumer Products (1970) Ltd. and its subsidiaries (hereinafter: the "Group"), which includes the summary consolidated statement of financial position as at 31 March 2023 and the summary consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for the three-month period ended on that date. The board of directors and management are responsible for the preparation and presentation of the financial information for this interim period pursuant to International Accounting Standard IAS 34 – "Interim Financial Reporting" - and are responsible as well for the preparation of the financial information for this interim period pursuant to Chapter D to the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding financial information for this interim period based on our review.

**Scope of Review**

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

**Conclusion**

In addition to the contents of the preceding paragraph, based on our review, nothing has come to our attention that would lead us to believe that the above financial information does not adhere to, in all material respects, the provisions of International Accounting Standard IAS 34.

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

Tel Aviv,  
28 May 2023

Kost Forer Gabbay and Kasierer  
Accountants

**Consolidated Statements of Financial Position**

	As at 31 March		As at
	2023	2022	31 December
	(Unaudited)		Audited
	NIS Thousands		
<u>Current assets</u>			
Cash and cash equivalents	442,381	462,426	563,490
Deposits and short-term investments	116,335	3,335	671
Trade receivables	766,388	683,062	718,361
Other receivables	156,596	45,201	115,145
Inventory	967,915	962,332	792,103
	<u>2,449,615</u>	<u>2,156,356</u>	<u>2,189,770</u>
<u>Non-current assets</u>			
Long-term trade and other receivables	17,086	83,081 *)	20,883
Investment property	326,979	326,532	326,616
Investment property under construction	29,257	-	29,179
Property, plant, and equipment, net	467,759	216,962	319,802
Right-of-use assets, land	64,607	56,243	64,774
Right-of-use assets, other	1,654,750	1,533,696 *)	1,635,893
Goodwill	1,958,263	1,904,365 *)	1,958,263
Intangible assets	150,038	103,893 *)	129,362
Deferred taxes	20,870	27,592	21,928
	<u>4,689,609</u>	<u>4,252,364</u>	<u>4,506,700</u>
	<u><u>7,139,224</u></u>	<u><u>6,408,720</u></u>	<u><u>6,696,470</u></u>

\*) With regard to retroactive adjustment, see Note 2C.

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

**Consolidated Statements of Financial Position**

	As at 31 March		As at
	2023	2022	31 December
	(Unaudited)		2022
	NIS Thousands		
			Audited
<u>Current liabilities</u>			
Credit from banks and others	263,917	106,469	219,093
Current maturities of bonds	49,725	-	49,579
Current maturities of leasing liabilities	211,213	182,699	206,804
Trade payables	1,883,594	1,704,845	1,607,276
Other payables	555,922	646,489*)	575,036
Dividends payable	35,000	31,899	-
	<u>2,999,371</u>	<u>2,672,401</u>	<u>2,657,788</u>
<u>Non-current liabilities</u>			
Loans from banks and others	676,423	452,006	549,955
Bonds/Debentures	362,056	247,167	361,213
Leasing liabilities	1,698,454	1,579,534	1,680,804
Other liabilities	144,670	135,651*)	145,958
Employee benefit liabilities, net	32,771	38,431	32,732
Deferred taxes	45,075	46,108	44,212
	<u>2,959,449</u>	<u>2,498,897</u>	<u>2,814,874</u>
<u>Equity</u>			
Equity attributed to Company shareholders	644,400	708,807	671,960
Non-controlling interests	536,004	528,615*)	551,848
Total equity	<u>1,180,404</u>	<u>1,237,422</u>	<u>1,223,808</u>
	<u>7,139,224</u>	<u>6,408,720</u>	<u>6,696,470</u>

\*) With regard to retroactive adjustment, see Note 2C.

28 May 2023

Date of approval of  
the financial  
statements

Michael Salkind  
Director authorized  
by the Board of  
Directors

Zvika Schwimmer  
Chief Executive  
Officer

Yehonatan Tsabari  
Chief Financial  
Officer

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

**Consolidated Statements of Profit and Loss**

	For the three months ended at 31 March		For the year ended at 31 December 2022
	2023	2022	
	Unaudited		Audited
	NIS Thousands		
Revenues from sales and provision of services	1,505,526	1,450,490	6,242,313
Cost of sales and provision of services	1,073,861	1,031,953*)	4,416,155*)
Gross profit	431,665	418,537	1,826,158
Selling and marketing expenses	(395,259)	(339,693) *)	(1,476,274) *)
Administrative and general expenses	(27,004)	(23,103)	(107,176)
Research and development expenses	(3,568)	(1,005)	(8,115)
Group's share in losses of companies that are treated according to the equity method, net	(318)	-	(140)
Operating income before other income, net, and reorganisation expenses	5,516	54,736	234,453
Other income (expenses), net	(2,517)	30,979	15,627
Reorganisation expenses	-	-	(51,830)
Operating income after other income (expenses) and reorganisation expenses	2,999	85,715	198,250
Financing income	2,483	1,041	3,400
Financing expenses	(51,818)	(27,545)	(129,983)
Profit (loss) before taxes on income	(46,336)	59,211	71,667
Taxes on income	(6,331)	(17,331)	(28,037)
Net profit (loss)	(52,667)	41,880	43,630
Net profit (loss) attributable to:			
Company shareholders	(10,511)	46,604	102,927
Non-controlling interests	(42,156)	(4,724)	(59,297)
	(52,667)	41,880	43,630
Base net income (loss) per share attributed to Company shareholders (in NIS)	(0.49)	2.12	4.74
Diluted net income (loss) per share attributed to Company shareholders (in NIS)	(0.49)	2.08	4.65
Weighted number of shares used in calculating base net income (loss) per share	21,615,216	21,942,049	21,733,811
Weighted number of shares used in calculating diluted net income (loss) per share	21,615,216	22,352,574	22,137,382

\*) Reclassified.

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

**Consolidated Statements of Comprehensive Income**

	For the three months ended at 31 March		For the year ended at 31 December 2022
	2023	2022	2022
	Unaudited		Audited
	NIS Thousands		
Net profit (loss)	(52,667)	41,880	43,630
Other comprehensive income (loss) (after tax):			
<u>Sums that will not later be reclassified to profit or loss:</u>			
Profit from remeasurement for defined benefit plans	-	-	3,073
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>			
Profit (loss) with respect to cash flow hedging transactions	(142)	82	521
Transfer to statement of profit and loss with respect to cash flow hedging transactions	4,676	-	-
Total other comprehensive income	4,534	82	3,594
Total comprehensive income (loss)	<u>(48,133)</u>	<u>41,962</u>	<u>47,224</u>
<u>Comprehensive profit (loss) attributed to:</u>			
Company shareholders	(7,847)	46,686	108,119
Non-controlling interests	(40,286)	(4,724)	(60,895)
	<u>(48,133)</u>	<u>41,962</u>	<u>47,224</u>

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

## Consolidated Statements of Changes in Equity

	Attributable to Company shareholders										Non-controlling interests	Total equity
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total		
(Unaudited)												
NIS Thousands												
Balance as at 1 January 2023 (audited)	73,150	430,661	(111,192)	4,362	(29,127)	9,311	(2,324)	2,075	295,044	671,960	551,848	1,223,808
Total comprehensive income (loss)	-	-	-	-	-	-	-	2,664	(10,511)	(7,847)	(40,286)	(48,133)
Cost of share-based payments	-	-	-	-	-	1,174	-	-	-	1,174	817	1,991
Equity issue to holders of non-controlling interests in a consolidated company	-	-	-	-	-	-	-	-	-	-	41,564	41,564
Transaction with holders of non-controlling interests	-	-	-	-	17,939	-	-	-	-	17,939	(17,939)	-
Buyback of Company shares	-	-	(3,826)	-	-	-	-	-	-	(3,826)	-	(3,826)
Dividends declared to Company shareholders	-	-	-	-	-	-	-	-	(35,000)	(35,000)	-	(35,000)
Balance as at 31 March 2023	<u>73,150</u>	<u>430,661</u>	<u>(115,018)</u>	<u>4,362</u>	<u>(11,188)</u>	<u>10,485</u>	<u>(2,324)</u>	<u>4,739</u>	<u>249,533</u>	<u>644,400</u>	<u>536,004</u>	<u>1,180,404</u>

\*) With regard to retroactive adjustment, see Note 2C.

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

## Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited											
	NIS Thousands											
Balance as at 1 January 2022 (audited)	73,150	430,661	(65,811)	4,362	(2,659)	4,591	(5,125)	(316)	252,117	690,970	535,838 *)	1,226,808
Total comprehensive income (loss)	-	-	-	-	-	-	-	82	46,604	46,686	(4,724)	41,962
Cost of share-based payments	-	-	-	-	-	1,151	-	-	-	1,151	-	1,151
Dividends declared to Company shareholders	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(600)	(600)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,899)	(1,899)
Balance as at 31 March 2022	<u>73,150</u>	<u>430,661</u>	<u>(65,811)</u>	<u>4,362</u>	<u>(2,659)</u>	<u>5,742</u>	<u>(5,125)</u>	<u>(234)</u>	<u>268,721</u>	<u>708,807</u>	<u>528,615</u>	<u>1,237,422</u>

\*) With regard to retroactive adjustment, see Note 2C.

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

## Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited											
	NIS Thousands											
Balance as at 1 January 2022	73,150	430,661	(65,811)	4,362	(2,659)	4,591	(5,125)	(316)	252,117	690,970	535,838	1,226,808
Total comprehensive income (loss)	-	-	-	-	-	-	2,801	2,391	102,927	108,119	(60,895)	47,224
Cost of share-based payments	-	-	-	-	-	4,720	-	-	-	4,720	2,217	6,937
Buyback of Company shares	-	-	(45,381)	-	-	-	-	-	-	(45,381)	-	(45,381)
Transactions with holders of non-controlling interests	-	-	-	-	(26,468)	-	-	-	-	(26,468)	35,920	9,452
Non-controlling interests created in a partnership consolidated for the first time	-	-	-	-	-	-	-	-	-	-	23,781	23,781
Equity issue to holders of non-controlling interests in a consolidated company	-	-	-	-	-	-	-	-	-	-	17,486	17,486
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	(60,000)	(60,000)	-	(60,000)
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,499)	(2,499)
Balance as at 31 December 2022	73,150	430,661	(111,192)	4,362	(29,127)	9,311	(2,324)	2,075	295,044	671,960	551,848	1,223,808

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

## Consolidated Statements of Cash Flows

	For the three months ended at 31 March		For the year ended at 31 December
	2023	2022	2022
	Unaudited		Audited
	NIS Thousands		
<u>Cash Flows from Current Operations</u>			
Net profit (loss)	(52,667)	41,880	43,630
Adjustments required for presentation of cash flows from current operations:			
Adjustments to profit and loss items:			
Depreciation and amortisation	84,810	68,654	295,790
Improvement of investment property	(59)	(30,953)	(30,505)
Impairment of investment property under construction	421	-	2,506
Cost of share-based payments	1,991	1,151	6,937
Capital loss (gain) from disposal of property, plant, and equipment	(2,052)	-	5,142
Company's share in losses of companies treated according to balance sheet value, net	318	-	140
Deferred taxes, net	125	6,330	6,105
Change in employee benefit liabilities, net	39	(121)	(2,007)
Provision for impairment of property, plant, and equipment and right-of-use assets	-	-	37,807 *)
Other adjustments	1,642	(1,788) *	(5,771) *)
	<u>87,235</u>	<u>43,273</u>	<u>316,144</u>
Changes in assets and liabilities items:			
Increase in trade receivables (including long-term receivables)	(47,851)	(3,109)	(33,996)
Decrease (increase) in other receivables	(37,452)	12,529	(40,365)
Decrease (increase) in inventory	(180,430)	(107,846)	74,195
Increase (decrease) in trade payables	198,272	100,648	(16,107)
Decrease in other payables	(38,643)	(4,680) *)	(14,208)
	<u>(106,104)</u>	<u>(2,458)</u>	<u>(30,481)</u>
Net cash from (used for) current operations	<u>(71,536)</u>	<u>82,695</u>	<u>329,293</u>

\* Reclassified

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

**Consolidated Statements of Cash Flows**

	For the three months ended at 31 March		For the year ended at 31 December
	2023	2022	2022
	Unaudited		Audited
	NIS Thousands		
<u>Cash flows from investment operations</u>			
Acquisition of property, plant, and equipment and intangible assets	(91,842)	(26,468)	(189,073)
Payment of capitalised leasing fees and land development levies	-	-	(9,118)
Capitalisation of costs recognised in investment property and investment property under construction	(622)	(233)	(693)
Deferred proceeds from disposal of investment in previously consolidated company	-	-	4,791
Proceeds from disposal of property, plant, and equipment	2,052	-	746
Repayment of previously consolidated company loans	-	-	3,528
Acquisition of investment property under construction	-	(26,648)	(31,685)
Investment in short-term deposits	(115,062)	-	-
Proceeds from redemption and sale of marketable securities	416	872	3,438
Other investments, net	125	(2,953)	(8,200)
Cash released from escrow in the acquisition of a subsidiary	-	-	5,000
Net payment for consolidated operations	-	-	(49,660)
Acquisition of companies consolidated for the first time (A)	-	-	(10,727)
Net cash used in investment activities	<u>(204,933)</u>	<u>(55,430)</u>	<u>(281,653)</u>
<u>Cash used in discontinued operations</u>	<u>-</u>	<u>-</u>	<u>(87,500)</u>
<u>Cash flows from financing activity</u>			
Dividends paid to Company shareholders	-	-	(60,000)
Dividends paid to holders of non-controlling interests	-	(600)	(2,499)
Issuance of bonds less cost of issuance	-	247,087	409,784
Receipt of long-term loans from banks and others	154,000	-	190,000
Repayment of long-term loans from banks and others	(1,314)	(191,994)	(205,025)
Buyback of Company shares	(3,826)	-	(45,381)
Issuance of equity in consolidated company to holders of non-controlling interests	41,564	-	17,486
Payment of leasing liabilities	(53,697)	(48,406)	(189,628)
Short-term bank credit, net	18,633	84,642	144,181
Net cash from financing operations	<u>155,360</u>	<u>90,729</u>	<u>258,918</u>
<u>Increase (decrease) in cash and cash equivalents</u>	<u>(121,109)</u>	<u>117,994</u>	<u>219,058</u>
<u>Balance of cash and cash equivalents at beginning of period</u>	<u>563,490</u>	<u>344,432</u>	<u>344,432</u>
<u>Balance of cash and cash equivalents at end of period</u>	<u>442,381</u>	<u>462,426</u>	<u>563,490</u>

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

## Consolidated Statements of Cash Flows

	For the three months ended at 31 March		For the year ended at 31 December
	2023	2022	2022
	Unaudited		Audited
	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)	-	-	9,768
Property, plant, and equipment	-	-	(3,436)
Right-of-use assets	-	-	(1,901)
Intangible assets	-	-	(22,761)
Goodwill	-	-	(55,407)
Deferred tax liabilities, net	-	-	2,075
Loans from banks and others and bank credit	-	-	13,065
Leasing liabilities	-	-	1,789
Other non-current liabilities	-	-	12,848
Capital reserve from a transaction with non-controlling interests	-	-	3,786
Non-controlling interests	-	-	29,447
	-	-	(10,727)
(B) <u>Significant non-cash activities</u>			
Acquisition of property, plant, and equipment using credit	129,776	22,040	62,373
Increase in right-of-use asset against leasing liabilities	78,257	100,295	373,729
Acquisition of investment property under construction	-	26,340	-
Dividends payable to Company shareholders	35,000	30,000	-
Dividends payable to non-controlling interests	-	1,899	-
(C) <u>Additional information on cash flows</u>			
Cash paid over the course of the period for:			
Interest	38,774	27,993	125,915
Taxes on income	28,532	15,751	68,381 *)
Taxes paid on the sale of discontinued operations	-	-	87,500 *)
Cash received over the course of the period for:			
Interest	3,810	631	3,091
Taxes on income	7,942	6,159	10,139

\* Reclassified

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

