



Financial Statements as of  
30 June 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 30 June 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.

# Electra Numbers

## First half



**3.1 ₪B**  
Revenues



**133 ₪M**  
EBITDA



**304**  
Branches



**1.1 ₪B**  
Company Equity



**7.1 ₪B**  
Total Company  
Balance Sheet



**6.9K**  
Number of Employees



**īAA-**  
S&P Rating



**1B**  
Financial debt  
(net of IFRS 16)

### Electrical Retail Segment

### Retail Food Segment

### Sports and Leisure Segment



**80**  
Number of Branches



**157**  
Number of Branches



**67**  
Number of Branches



20 Branches    58 Branches    2 Branches



47 Branches    7 Branches    38 Branches    65 Branches



12 Branches    16 Branches    21 Branches    18 Branches



**44K sq. m.**  
Commercial Space



**174K sq. m.**  
Commercial Space



**18K sq. m.**  
Commercial Space



**3.4%**  
Percent Change  
in Same Stores



**2.6%**  
Percent Change  
in Same Stores  
(net of stores closed for renovation  
and conversion)



**6.4%**  
Percent Change  
in Same Stores  
(net of ADIDAS stores)

# Electra Consumer Products (1970) Ltd.

## Board of Directors Report

### For the six months ended at 30 June 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 six-month and three-month periods ended at 30 June 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 for selling 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 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 chains for marketing 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 The Board of Directors' explanations of the state of the Group's affairs - summary:

The Group's revenues during the first half and in the second quarter of 2023 came to NIS 3.051 million and NIS 1.546 million, an increase of 2.6% and 1.5%, respectively, compared to the parallel period of the previous year.

Operating loss before other income, net, for the Company came to NIS 40 million and NIS 46 million, respectively, during the first half and in the second quarter of 2023, and the Company's operating income before other expenses, net, was NIS 110 million and NIS 55 million, respectively, during the parallel periods of the previous year.

After neutralisation of the food segment, operating income before other income, net, for the Company came to NIS 73 million and NIS 19 million, respectively, during the first half and in the second quarter of 2023. (See Section 1.2.2 to this Board of Directors Report.)

Net loss for the majority shareholders came to NIS 32 million and NIS 21 million, respectively, during the first half and in the second quarter of 2023, where the Company had a net income for the majority shareholders of NIS 67 million and NIS 20 million, respectively, in the parallel periods of the previous year.

Similarly, after neutralisation of the food segment, the Company had net income for the majority shareholders of NIS 33 million and NIS 7 million, respectively, during the same periods. (See Section 1.2.2 to this Board of Directors Report for an analysis of the Company's results after neutralisation of the food segment.)

#### Electrical consumer products segment:

Segmental profit came to NIS 635 million and NIS 289 million, a decrease of 7.5% and 20.3%, respectively, during the first half and in the second quarter of 2023 compared to the parallel periods of the previous year.

Segmental profit before other income came to NIS 54 million and NIS 17 million, respectively, during the first half and in the second quarter of 2023 compared to segmental profit of NIS 76 million and NIS 37 million, respectively, during the parallel periods of the previous year.

The decrease in sales and segmental profit primarily derived from the second quarter, primarily as a result of decreased sales of air conditioners and climate control systems, which derived from a decrease in sales in the local market as a result of decreased demand due to the late start to the summer and a delay in orders in sales of heating systems for export and a discontinuation of the solar operations and its merger with the operations of Rav Bariach. (See Note 4B to the Interim Consolidated Financial Statements as at 30 June 2023, hereinafter: the "Interim Consolidated Financial Statements.")

**Despite the decreased sales of air conditioners in the local market in the second quarter and delays in orders of heating systems, the Company expects sales in this segment and the segmental profit rate in 2023 to be similar to sales and the segmental profit rate in 2022 and expects sales turnover in 2024 to increase by approximately NIS 200 million and that it will maintain the segmental profit rate.**

Electrical retail segment:

Segmental profit came to of NIS 945 million and NIS 460 million during the first half and in the second quarter of 2023, an increase of 6.2% compared to the first half of the previous year, and a decrease of 1.8% compared to the parallel quarter of the previous year. The sales during the first half of the year 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 3.4%.

Segmental profit before other income came to NIS 32 million and NIS 14 million, respectively, during the first half and in the second quarter of 2023, compared to segmental profit of NIS 33 million and NIS 17 million, respectively, during the parallel periods of the previous year.

The Company is successfully increasing its sales in this segment despite decreased demand in the segment primarily due to its ability to distinguish itself and provide a variety of solutions for consumers, inter alia, with the help of the "Electra" brand, which facilitated its maintenance of the same segmental profit as the previous year despite the erosion in profits from duty free stores due to the segment's rental costs for its stores, which derived, inter alia, from the increased number of travellers.

**The Company expects that the segmental sales turnover in 2023 will increase by NIS 2 billion and that it will maintain segmental profits similar to the previous year.**

Retail food segment:

Segmental profit during the first half and in the second quarter of 2023 came to NIS 1.437 million and NIS 792 million, **an increase of 2.6% and 11.3%, respectively, compared to the parallel period of the previous year.** The sales during the first half and the second quarter of the year in the same stores in the segment that fully operated in the Reporting Period increased by approximately 2.6% and 6.8%, respectively, in comparison to the parallel period of the previous year. Monthly average sales per square metre during this half amounted to NIS 27,047, as compared with NIS 24,360 per square metre in the parallel period of the previous year.

**Sales per square metre in Carrefour stores alone during May-June 2023 came to NIS 46,872 thousand per square metre on annual average, an increase of 71% compared to the parallel period of the previous year prior to conversion of these stores.**

Segmental loss, after neutralisation of other income, net, during this half of the year, came to NIS 113 million, compared to profit after neutralisation of other income, net, in the sum of NIS 14 million during the parallel period of the previous year and primarily derived from investments that the Company made in the launch of the Carrefour chain, including, inter alia, the closing of stores for renovation and the loss of revenues, increasing operational resources and staffing in preparation for launch, establishing a logistical network for the import of Carrefour products, and marketing and sales in preparation for the launch. Similarly, Quik's operations, which were consolidated at the end of 2022, and the operations of the 7-Eleven chain, which is currently being established, collectively contributed to a segmental loss of NIS 28 million during the Reporting Period.

In light of the increased turnover in Carrefour stores and the credit facilities obtained by Global Retail C.I. Ltd. from Carrefour in connection with the purchase of Carrefour products, the cash flow from current operations that derived from the food segment in the second quarter of 2023 came to NIS 107 million, compared to cash flows used in regular operations in the sum of NIS 28 million in the parallel period of the previous year.

The Company is currently continuing the conversion of additional stores to Carrefour (as of now, there are 65 stores) and is continuing with the establishment of the 7-Eleven chain while working on increasing profitability and streamlining at all levels. Similarly, the Company is working on restoring all of its online operations and broadly reducing staffing and costs in this area. (See Note 4A(3) to the Interim Consolidated Financial Statements with respect to the memorandum of understanding that was executed with Quik.)

**The Company expects the sales turnover of Carrefour stores will continue in the same growth trajectory and reflect an annual average sales per square metre of NIS 40,000. Alongside the growth in turnover for Carrefour stores and the streamlining actions being taken by the Company in the segment, the Company expects that it will return to presenting segmental profit as soon as the second half of 2023.**

Sports and leisure segment:

Segmental profit came to NIS 119 million and NIS 47 million during the first half and in the second quarter of 2023, an increase of 36.1% and 47%, respectively, compared to the parallel period of the previous year.

Same store sales in this segment that operated fully in the first half of 2023 decreased by 5% compared with the corresponding period last year due to weak winter operations this year. **In the second quarter of 2023, there was an increase of 6.4% in same store sales** as compared to the parallel period of the previous year.

**Proforma sales of Adidas same store sales increased during this half of the year and this quarter by a rate of 9% and 7.5%, respectively, compared to the parallel periods of the previous year.**

Segmental loss came to NIS 0.2 million and NIS 7 million, respectively, during the first half and in the second quarter of 2023, compared to segmental profit of NIS 7 million in the first half of the previous year and a segmental loss of 2 million in the parallel quarter of the previous year.

The increase in sales derives from the continued expansion of Sa'ar's operations by means of the opening of new stores and from Adidas stores operations. The decrease in segmental profit during this period primarily derives from weak winter operations this year and new stores that have not yet reached operational equilibrium.

**The Company expects that segment sales this year will reach NIS 300 million and segmental profit for 2023 will be similar to the segmental profit for 2022. Similarly, the Company expects that in 2024, segmental sales will reach NIS 500 million.**

For additional details in connection with the Company's operational segment results, see Section 4 to this Board of Directors Report.

The Company's forecasts and analyses as set forth above in connection with expected segmental sales and segmental profit in the electrical consumer products, electrical retail, retail food, and sports and leisure segments, as set forth in Section 1.2.1, are forward-facing information as defined in the Securities Law, 5728-1968 (the "Securities Law"), which is based, inter alia, on information possessed by the Company as of the reporting date as well as on the reasonable assessments of Company management, which are based on actual sales and the Company's estimates, including with respect to growth trends in segmental sales. Said information and assessments may not materialise, in whole or in part, and even substantially so, including as a result of a number of factors that are outside the Company's control, the Company's business environment, and the risk factors that are involved in its operations as well as a result of factors that are not known to the Company at this time.

### 1.2.2 Summary of financial results with and without the impact of the food segment during the Reporting Period

The segment results of the food segment were adversely affected during the Reporting Period primarily as a result of the launch of the Carrefour chain, which resulted in a loss of revenues during the renovation and conversion of stores, and as a result of decreased profitability in light of the investment of resources and staffing in the launch and in the establishment of an import network for Carrefour products and as a result of increased sales campaigns aimed at customers as part of the launch process. Similarly, Quik's operations, which were consolidated at the end of 2022, and the operations of the 7-Eleven chain, which is in the process of being established, collectively contributed to a segmental loss of NIS 28 million during the Reporting Period.

The following is a concise summary of the Company's financial results for the first half of the year with and without the food segment as well as the financial results for the food segment:

	Consolidated		Consolidated without the Retail food segment	
	For the six months ended at 30 June			
	NIS Thousands			
	2023	2022	2023	2022
Sales	3,051,496	2,973,938	1,614,782	1,573,724
Operating income (loss) before other income, net,	(40,004)	109,593	72,929	96,085
EBITDA	133,018	246,482	132,560	147,704
Income (loss) before tax	(116,546)	79,303	38,608	109,528
Net income (loss)	(114,693)	53,508	34,462	81,598
Net income (loss) attributed to Company shareholders	(31,882)	66,611	33,331	76,331



**The Board of Directors Report on the State of the Corporation's Affairs  
For the Period Ended at 30 June 2023**

	<b>Consolidated</b>		<b>Consolidated without the Retail food segment</b>	
	<b>For the three months ended at 30 June</b>			
	<b>NIS Thousands</b>			
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Sales	1,545,970	1,523,448	753,950	811,649
Operating income (loss) before other income, net,	(45,520)	54,857	18,517	43,609
EBITDA	42,692	123,092	48,996	68,677
Income (loss) before tax	(70,210)	20,092	2,920	35,796
Net income (loss)	(62,026)	11,628	5,105	25,198
Net income (loss) attributed to Company shareholders	(21,371)	20,007	7,446	26,377
	<b>Retail food segment</b>		<b>Retail food segment</b>	
	<b>For the six months ended at 30 June</b>		<b>For the three months ended at 30 June</b>	
	<b>NIS Thousands</b>			
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Sales	1,436,714	1,400,214	792,020	711,799
Operating income (loss) before other income, net,	(112,933)	13,508	(64,037)	11,248
EBITDA	458	98,778	(6,304)	54,415
Income (loss) before tax	(155,154)	(30,225)	(73,130)	(15,704)
Net income (loss)	(149,155)	(28,090)	(67,131)	(13,570)
Net income (loss) attributed to Company shareholders	(65,213)	(9,720)	(28,817)	(6,370)

For additional details in connection with the food segment results, see Section 4.5.3 to this Board of Directors Report.

## 1.3 Principal events during the Reporting Period and thereafter

### 1.3.1 Matters relating to the Global Retail CI Ltd. Group

#### 1.3.1.1 Launch of Carrefour

On 9 May 2023, the Group launched 50 Carrefour brand stores in the following formats:

Carrefour Hyper, Carrefour Market and Carrefour City. The 50 stores that were converted were previously operated under the Global Retail C.I. Ltd. Group's other brand names. As of the execution date of these financial statements, 15 additional stores of the second-tier subsidiary have been converted to the Carrefour brand, and it is working to convert 15 more stores at least by the end of 2023.

As of the launch of Carrefour branches on 9 May 2023 and up to 30 June 2023, sales turnover in the launched Carrefour branches **increased by 68%**. The growth rate of the sales turnover in Carrefour stores has recently stabilised and stands at 60%. In addition, Carrefour brands represented 6.7% of the grocery trolley in the branches that were launched. **Sales per square metre in Carrefour stores during May-July 2023 came to NIS 39.659 thousand annually per square metre on average, an increase of 58% compared to the parallel period of the previous year prior to the conversion of these stores.**

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.

#### 1.3.1.2 Launch of the customer loyalty club

Further to Note 25D(2) to the Company's annual consolidated financial statements for 2022 regarding the Company's engagement in a three-way collaboration agreement with Israel Credit Cards Ltd. ("Cal") and Bank Hapoalim Ltd. in connection with operating a customer loyalty club based on non-bank credit cards and after having received approval from the Director General of the Israel Competition Authority for said transaction and after the fulfilment of all of the other conditions precedent on 7 August 2023, the transaction was completed, and the customer loyalty club was launched on 15 August 2023. (See Note 4A(2)(a) to the Interim Consolidated Financial Statements for additional details.)

Further to Note 25D(3) to the Company's 2022 annual consolidated financial statements regarding the transfer of a credit portfolio by Club 365 to the Electra Club Limited Partnership (a limited partnership held by the Company through a wholly-owned subsidiary and second-tier subsidiary under its control), on the eve of the launch of the abovementioned customer loyalty club, on 1 June 2023, the Company sold the existing credit portfolio for Club 365 customers in consideration of NIS 35 million (see Note 4A(2)(b) to the Interim Consolidated Financial Statements for additional details) and recorded a capital gain of NIS 34 million, which was recorded under other income. See Section 3.1.7 to this Board of Directors Report for additional details.

**1.3.1.3 Memorandum of understanding with Quik Technologies Ltd.**

Disputes arose during the Reporting Period between the second-tier subsidiary and Quik Technologies and Investments Ltd. (Quik) (collectively: the “partners”) about the streaming of additional funding that was required for the operation of the online partnership (the “partnership”), and as a result, it was resolved that the partners would invest interim funding in the total sum of NIS 4 million (each partner according to its prorated share), which was presented during the Reporting Period as a shareholder investment. Immediately following said resolution and investment, the partners decided to examine the possibility of separating such that the second-tier subsidiary would acquire Quik’s holdings in the partnership.

After the financial position statement date, a binding memorandum of understanding was executed between the second-tier subsidiary partners, which took effect on 29 August 2023, whereby the second-tier subsidiary would acquire Quik’s holdings in the partnership (49%) such that after the acquisition, the second-tier subsidiary will hold 100% of the online operations, including operations under the Quik name. The consideration, in the sum of NIS 30 million (the “consideration”), corresponding to 2% of the net revenues of online operations, will be paid over the course of five years commencing January 2024. The consideration bears interest.

Additionally, it was agreed as part of the transaction that the online partnership’s technology will be transferred to Quik, which will provide services based on the technology to the second-tier subsidiary. It was further agreed in the memorandum of understanding that the second-tier subsidiary would work toward taking streamlining measures in the partnership.

See Note 4A(3) to the Interim Consolidated Financial Statements for additional details that were agreed upon in said binding memorandum of understanding.

**1.3.1.4 Global Retail C.I. Ltd.’s Financial Position**

In August 2023, the banks notified the second-tier subsidiary that they had updated the financial criteria required of it as at 31 December 2023 such that the adjusted EBITDA (as set forth in Note 4A(7)(b) to the Interim Consolidated Financial Statements) as at that date would be calculated according to the results for the second half of 2023 only (instead of in relation to all of 2023).

The second-tier subsidiary is working on reducing costs and increasing its cash flows from ongoing operations, inter alia, for continuing its investment in converting stores as noted above as well as for business operations purposes.

Similarly, the Company’s management together with the second-tier subsidiary’s management are working on reviewing investment and fundraising channels and/or raising additional debt for the second-tier subsidiary. To the extent that after said actions, there is still a need for a source of cash flows for the second-tier subsidiary, the shareholders, including the Company (including in the event in which the other shareholders resolve on withholding their support), will provide the required cash flow for a period of two years from the date of the approval of the financial statements according to the amounts estimated by the second-tier subsidiary and in a limited amount.

**1.3.2 Execution of a memorandum of understanding for revision of 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, and further to the parties' execution on 28 May 2023, of a memorandum of understanding for negotiations on execution of a new franchise agreement, on 31 July 2023, the parties executed an amended franchise agreement, the main points of which are as follows:

The parties agreed that Adidas will transfer 28 of its branches (including four surplus stores and a store under construction) for operation of the franchise, at the beginning of October 2023, such that after the transfer, the franchisee will operate 46 branches in Israel.

See Note 4I to the Interim Consolidated Financial Statements for additional details agreed to in the amended franchise agreement, including regarding its term.

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 annually 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, which is based, inter alia, on the assumptions set forth above, which could be affected by factors outside of the Company's control, including 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.**

**1.3.3** 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.

**1.3.4** On 30 May 2023, the Company published a shelf prospectus dated 31 May 2023, whereby, in the future, it would be able to publish various securities by means of offering reports.

**1.3.5** On 20 August 2023, Standard & Poor's Maalot confirmed the Company's new rating (iIAA-), and it determined that the rating forecast was stable.

Similarly, Standard & Poor's Maalot confirmed a rating of iIAA- for the Company's (Series A) bonds.

**1.3.6** See Notes 4 and 9, respectively, to the Interim Consolidated Financial Statements 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 30 June		As at
	2023	2022	31 December 2022
	NIS Thousands		NIS Thousands
Current assets	2,322,147	2,135,707	2,189,770
Non-current assets	4,805,614	4,294,903	4,506,700
<b>Total assets</b>	<b>7,127,761</b>	<b>6,430,610</b>	<b>6,696,470</b>
Current liabilities	3,100,562	2,551,082	2,657,788
Non-current liabilities	2,907,564	2,661,753	2,814,874
Total equity	1,119,635	1,217,775	1,223,808
<b>Total liabilities and equity</b>	<b>7,127,761</b>	<b>6,430,610</b>	<b>6,696,470</b>

#### Assets

**2.1** The total current assets amounted to approximately NIS 2,322 million as at 30.06.2023, as compared with approximately NIS 2,190 million as at 31.12.2022. The increase in current assets primarily derived from an increase in inventory balances that had primarily resulted from stocking up in preparation for the summer season as well as from stocking up on inventory in connection with the launch of Carrefour and from an increase in receivables and debit balances, which were partially offset by trade receivables and cash equivalents and short-term deposits.

**2.2** The total non-current assets amounted to approximately NIS 4,806 million as at 30.06.2023, as compared with approximately NIS 4,507 million 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 the renovation and conversion of stores for the launch of the Carrefour chain and in the right-of-use assets line that had resulted from the extension of existing rental agreements and entering into new agreements and from an increase in intangible assets primarily as a result of an increase in the Carrefour franchise asset in the food segment.

#### Liabilities

**2.3** The total current liabilities amounted to approximately NIS 3,101 million as at 30.06.2023, as compared with approximately NIS 2,658 million as at 31.12.2022. The change primarily derived from an increase in trade payables due to the building up of inventories and investments in the renovation and conversion to Carrefour stores and from an increase in the line of credit from banks primarily as a result of the use of credit facilities and from an increase in current maturities of long-term loans.

**2.4** The total non-current liabilities amounted to NIS 2,908 million as at 30.06.2023, as compared with NIS 2,815 million as at 31.12.2022. The increase primarily derived from an increase in the long-term bank loans line - which 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. for the conversion of the chain's stores to Carrefour, which was partially offset by said current maturities - and from an increase in leasing liabilities corresponding to a parallel increase in the right-of-use assets line.

### **Shareholder equity**

- 2.5** Shareholder equity amounted to NIS 1,120 million as at 30.6.2023, as compared with approximately NIS 1,224 million as at 31.12.2022. The decrease in equity during the Reporting Period primarily derived from comprehensive loss in the sum of NIS 115 million and the dividend paid during the Reporting Period in the sum of NIS 35 million, which was partially offset by the issuance 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 NIS 2,925 million as at 30.06.2023, as compared with financial assets, net of NIS 2,498 million as at 31.12.2022.
- 2.7** The Company's financial debt, net, after neutralisation of leasing liabilities (IFRS 16), amounted to a financial debt, net of approximately NIS 1,013 million as at 30.06.2023, as compared with a financial debt, net of approximately NIS 611 million as at 31.12.2022. The increase in the financial debt, net, as at 30.06.2023, compared with 31.12.2022, primarily derived from renovation and conversion of branches and their preparation for the launch of Carrefour on 9 May 2023 as well as from negative cash flow from current operations, which primarily derived from an increase in inventories, inter alia, due to the preparation for the air-conditioning season and a decrease in sales turnover.

## 2.8 Segmental assets and liabilities

	30 June 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>	1,214,724	635,724	565,977	223,137	(317,415)	2,322,147
<b>Non-current assets</b>	264,859	411,325	3,465,318	327,860	336,252	4,805,614
<b>Current liabilities</b>	505,253	958,422	1,610,951	193,914	(167,978)	3,100,562
<b>Non-current liabilities</b>	138,721	193,168	1,818,711	177,161	579,803	2,907,564
<b>Financial asset (debt), net</b>	16,975	(103,961)	(1,966,400)	(252,790)	(618,520)	(2,924,696)
<b>Financial asset (debt), net (without IFRS 16)</b>	34,244	84,657	(448,199)	(65,289)	(618,520)	(1,013,107)

	30 June 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>	1,363,337	583,172	410,989	124,721	(346,512)	2,135,707
<b>Non-current assets</b>	210,047	436,348	3,025,552	229,640	393,316	4,294,903
<b>Current liabilities</b>	542,537	891,891	1,146,302	64,821	(94,469)	2,551,082
<b>Non-current liabilities</b>	80,720	216,303	1,692,112	120,735	551,883	2,661,753
<b>Financial asset (debt), net</b>	123,732	(121,116)	(1,593,429)	(92,620)	(518,527)	(2,201,960)
<b>Financial asset (debt), net (without IFRS 16)</b>	140,893	164,951	(245,845)	36,100	(518,527)	(422,428)



	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

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

	For the six months ended at 30 June				For the year ended at December 31	
	1-6/2023	(*)	1-6/2022	(*)	2022	(*)
Revenues from sales and provision of services	3,051,496		2,973,938		6,242,313	
Cost of sales and provision of services	2,212,617		2,110,046		4,416,155(**)	
<b>Gross profit</b>	<b>838,879</b>	<b>27.5%</b>	<b>863,892</b>	<b>29.0%</b>	<b>1,826,158</b>	<b>29.3%</b>
Selling and marketing expenses	(814,046)		(703,477)		(1,476,274)**)	
Administrative and general expenses	(57,206)		(48,865)		(107,176)	
Research and development expenses	(6,972)		(1,957)		(8,115)	
Group's share in corporate losses accounted for at equity, net	(659)		-		(140)	
<b>Operating income (loss) before other income, net, and reorganisation expenses</b>	<b>(40,004)</b>	<b>(1.3%)</b>	<b>109,593</b>	<b>3.7%</b>	<b>234,453</b>	<b>3.8%</b>
Other income, net	31,062		33,249		15,627	
Reorganisation expenses	-		-		(51,830)	
<b>Operating income (loss) after other income, net, and reorganisation expenses</b>	<b>(8,942)</b>	<b>(0.3%)</b>	<b>142,842</b>	<b>4.8%</b>	<b>198,250</b>	<b>3.2%</b>
Financing income	5,836		1,075		3,400	
Financing expenses	(113,440)		(64,614)		(129,983)	
<b>Income (loss) before taxes on income</b>	<b>(116,546)</b>	<b>(3.8%)</b>	<b>79,303</b>	<b>2.7%</b>	<b>71,667</b>	<b>1.1%</b>
Tax benefit (taxes on income)	1,853		(25,795)		(28,037)	
<b>Net income (loss)</b>	<b>(114,693)</b>	<b>(3.8%)</b>	<b>53,508</b>	<b>1.8%</b>	<b>43,630</b>	<b>0.7%</b>
<b>Net income (loss) attributed to Company shareholders</b>	<b>(31,882)</b>		<b>66,611</b>		<b>102,927</b>	

(\*) Percentage of turnover

(\*\*) Reclassified.

#### 3.1.1 Revenues

The Group's revenues amounted to approximately NIS 3,051 million in the six-month period ended at 30 June 2023 (hereinafter: the "Reporting Period"), as compared with approximately NIS 2,974 million in the parallel period of the previous year, an increase of approximately 2.6%. The increased sales turnover primarily derived from an increase in sales in the electrical retail segment, primarily due to increased duty-free store sales and increased same store sales, from an increase in sales in the food segment primarily from the conversion to Carrefour in the sum of NIS 95 million,

which were partially offset as a result of the closing and partial closing of stores for their said renovation and conversion to Carrefour, in the sum of NIS 110 million, from an increase in revenues that derived from the consolidation of Quik's operations in the sum of NIS 25 million and from revenues from the 7-Eleven chain whose first stores were launched during the Reporting Period, in the sum of NIS 6 million, as well as from an increase in sports and leisure segment sales primarily due to increased wholesale sales and increased sales as a result of the consolidation of the Adidas brand in the fourth quarter of the previous year, which was partially offset by a decrease in sales in the electrical consumer products segment, primarily as a result of decreased brand commerce sales and decreased sales in the solar market as a result of deconsolidation during the Reporting Period. (For additional details in connection with the report on business segments, see Section 4 to this Board of Directors Report.)

### **3.1.2 Gross profit**

The gross profit rate in the Reporting Period stood at approximately 27.5% of the sales turnover, as compared with approximately 29.0% in the parallel period of the previous year. The gross profit in the Reporting Period amounted to approximately NIS 839 million, as compared with approximately NIS 864 million in the parallel period of the previous year, a decrease of approximately 2.9%. The decrease in gross profit primarily derived from a decrease in gross profit in the food segment, primarily as a result of the closing of stores for their conversion to Carrefour and due to marketing activity undertaken as part of the launch of the Carrefour chain and from a decrease in gross profit and its rate in the electrical retail segment primarily as a result of decreased sales in brand commerce, which were partially offset by an increase in gross profit and rates in duty free sales and increased same store sales and an increase in the sports and leisure segment, primarily due to the consolidation of the Adidas brand during the fourth quarter of the previous year. (For additional details in connection with the report on business segments, see Section 4 to this Board of Directors Report.)

### **3.1.3 Selling and marketing expenses**

Selling and marketing expenses amounted to NIS 814 million (approximately 26.7% of sales turnover) during the Reporting Period, as compared with NIS 703 million (approximately 23.7% 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 that derived from accelerated depreciation under the reorganisation plan in 2022 and the accelerated launch of Carrefour and increased salary expenses as a result of the increased staffing that was required for the launch of Carrefour, as well as an from an increase in advertising costs due to extensive public advertising as part of the launch and operation of the 7-Eleven chain, whose first stores were launched during the Reporting Period, and due to an increase in the retail segment and the sports and leisure segment as a result of an increase in sales turnover and the opening of new stores. (See Section 4 to this Board of Directors Report below for additional details in connection with reporting on business segments.)

#### **3.1.4 Administrative and general expenses**

Administrative and general expenses amounted to approximately NIS 57 million (approximately 1.9% of sales turnover) in the Reporting Period, as compared with approximately NIS 49 million (approximately 1.6% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the retail food segment due to logistical preparations for the launch of Carrefour and from the consolidation of Quik's operations.

#### **3.1.5 Research and development expenses**

Research and development expenses amounted to approximately NIS 7 million in the Reporting Period, as compared with approximately NIS 2 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 the climate systems plant's future products (primarily, heating systems for export) and from research and development expenses in the retail food segment in the sum of NIS 3.2 million as a result of the consolidation of Quik's operations.

#### **3.1.6 Operating income (loss) before other income, net**

Operating loss before other income, net, amounted to NIS 40 million in the Reporting Period, as compared with income in the sum of NIS 110 million in the parallel period of the previous year, a decrease of approximately 90%, which primarily derived from the retail food market.

#### **3.1.7 Other income, net**

Other net income amounted to NIS 31 million in the Reporting Period, as compared with other net income of NIS 33 million in the parallel period of the previous year. Other income, net during the Reporting Period primarily derived from the disposition of a credit portfolio in the sum of NIS 34 million and from a decrease in control in a consolidated partnership in the sum of NIS 4 million and were partially offset by expenses from the establishment of a logistical network for the support of the establishment of the Carrefour chain prior to its operation and by transaction costs and consulting and other expenses for the years prior to the acquisition of Global Retail C.I. Ltd. Other income in the previous year primarily derived from the revaluation of investment property owned by the Company and from income from a settlement with Huawei.

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

	For the six months ended at 30 June		For the year ended at December 31
	1-6/2023	1-6/2022	2022
NIS Thousands			
Income (loss) from disposal of property, plant, and equipment	2,303	(613)	(3,465)
Income (loss) from improvement/impairment of investment property	(708)	27,892	27,999
Capital gain from sale of consolidated partnership credit portfolio	34,242	-	-
Earnings from decrease in control in previously consolidated partnership	4,337	-	-
Income from settlement with Huawei	-	13,508	13,508
Standards Institute of Israel fine	-	(3,300)	(3,419)
Transaction costs and consulting and other expenses for years preceding the acquisition of Global Retail C.I. Ltd.	(3,690)	-	(2,923)
Revenues (expenses) from lawsuits	1,842	4,422	(6,194)
Expenses for setting up the support system for establishing the Carrefour chain prior to its operation	(6,688)	(1,493)	(7,519)
Other	(576)	(7,167)	(2,360)
<b>Total</b>	<b>31,062</b>	<b>33,249</b>	<b>15,627</b>

### **3.1.8 Operating income (loss) after other income, net**

Operating loss amounted to NIS 9 million in the Reporting Period, as compared with an operating profit of NIS 143 million in the parallel period of the previous year. The decrease in operating profit after other income, net, primarily derived from an operating loss after other income, net, in the retail food segment during the Reporting Period in the sum of NIS 113 million and from non-recurring income from the revaluation of investment property owned by the Company last year in the sum of NIS 30 million.

### **3.1.9 Net financing income (expenses)**

Financing expenses, net, amounted to NIS 108 million in the Reporting Period, as compared with NIS 64 million 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, primarily 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 24 million as from April last year, an increase in credit card factoring expenses in the sum of NIS 3 million in the Reporting Period following the increase in the prime interest rate, from an increase in exchange rate differential expenses, net, and for hedging transactions in the sum of NIS 9 million in the Reporting Period,

mainly due to a significant increase in the exchange rate of the EUR in the Reporting Period in the previous year and from an update of the fair value of the call option to purchase the previous controlling shareholder's share in Global Retail C.I. Ltd. (formerly, Bitan Wines Ltd.) in the sum of NIS 8 million.

#### **3.1.10 Income (losses) before taxes on income**

Losses before taxes on income amounted to NIS 117 million in the Reporting Period, as compared with income before taxes on income of NIS 79 million in the parallel period of the previous year, and primarily derived from the loss before taxes on income in the retail food market during the Reporting Period and the aforementioned revaluation of investment property that was performed last year.

#### **3.1.11 Tax benefit (taxes on income)**

The tax benefit in the Reporting Period amounted to NIS 2 million in the Reporting Period, as compared with taxes on income expenditures of NIS 26 million in the parallel period of the previous year. The decrease in tax expenses primarily derived from a decrease in income before tax and from a tax refund for previous years in the retail food segment.

#### **3.1.12 Net income (loss)**

Net loss during the Reporting Period amounted to NIS 114.7 million, as compared with net income in the sum of NIS 53.5 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 income from the revaluation of investment property in the previous year.

#### **3.1.13 Net income (loss) attributed to Company shareholders**

Loss attributed to Company shareholders amounted to NIS 31.9 million in the Reporting Period, as compared with income attributed to the Company's shareholders in the sum of NIS 66.6 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 income from the revaluation of investment property net of tax in the previous year.

#### **3.1.14 EBITDA \*)**

EBITDA in the Reporting Period amounted to NIS 133 million, as compared with NIS 246 million in the parallel period of the previous year, a decrease of approximately 46%. The decrease in EBITDA derived from a decrease in the retail food segment, primarily due to the closing of stores for their conversion and preparation for the launch of Carrefour.

EBITDA, **after neutralisation of the retail food segment**, amounted to NIS 133 million in the Reporting Period, as compared with NIS 148 million in the parallel period of the previous year, reflecting a decrease of approximately 10.3%.

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

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

	Quarter		Quarter		For the year ended at	
	4-6/2023	(*)	4-6/2022	(*)	December 31	(*)
					2022	
Revenues from sales and provision of services	1,545,970		1,523,448		6,242,313	
Cost of sales and provision of services	1,138,756		1,078,093		4,416,155(**)	
<b>Gross profit</b>	<b>407,214</b>	<b>26.3%</b>	<b>445,355</b>	<b>29.2%</b>	<b>1,826,158</b>	<b>29.3%</b>
Selling and marketing expenses	(418,787)		(363,784)		((1,476,274)**)	
Administrative and general expenses	(30,202)		(25,762)		(107,176)	
Research and development expenses	(3,404)		(952)		(8,115)	
Group's share in corporate losses accounted for at equity, net	(341)		-		(140)	
<b>Operating income (loss) before other income, net, and reorganisation expenses</b>	<b>(45,520)</b>	<b>(2.9%)</b>	<b>54,857</b>	<b>3.6%</b>	<b>234,453</b>	<b>3.8%</b>
Other income, net	33,579		2,270		15,627	
Reorganisation expenses	-		-		(51,830)	
<b>Operating income (loss) after other income, net, and reorganisation expenses</b>	<b>(11,941)</b>	<b>(0.8%)</b>	<b>57,127</b>	<b>3.7%</b>	<b>198,250</b>	<b>3.2%</b>
Financing income	3,353		-		3,400	
Financing expenses	(61,622)		(37,035)		(129,983)	
<b>Income (loss) before taxes on income</b>	<b>(70,210)</b>	<b>(4.5%)</b>	<b>20,092</b>	<b>1.3%</b>	<b>71,667</b>	<b>1.1%</b>
Tax benefit (taxes on income)	8,184		(8,464)		(28,037)	
<b>Net income (loss)</b>	<b>(62,026)</b>	<b>(4.0%)</b>	<b>11,628</b>	<b>0.8%</b>	<b>43,630</b>	<b>0.7%</b>
<b>Net income (loss) attributed to Company shareholders</b>	<b>(21,371)</b>		<b>20,007</b>		<b>102,927</b>	

(\*) Percentage of turnover

(\*\*) Reclassified

#### 3.2.1 Revenues

The Group's revenues amounted to NIS 1,546 million in the second quarter of 2023, as compared with NIS 1,523 million in the parallel period of the previous year, an increase of approximately 1.5%. The increase in sales turnover primarily derived from an increase in sales in the retail food segment, primarily as a result of the launch of Carrefour in the second quarter of the year, whose contribution is estimated at NIS 95 million, and from an increase in sales in the sports and leisure

segment primarily as a result of an increase of same store sales as well as the consolidation of Adidas as of the fourth quarter of the previous year, and it was partially offset by a decrease in sales in the electrical retail segment, primarily as a result of a decrease in same store sales and a decrease in sales in the electrical consumer products segment, which primarily derived from a delay in orders for exported heating systems and a decrease in the sale of air conditioners in the local market, from a decrease in brand commerce, and as a result of decreased sales in the solar market as a result of deconsolidation during the Reporting Period. (For additional details in connection with the report on business segments, see Section 4 to this Board of Directors Report.)

### **3.2.2 Gross profit**

The gross profit rate amounted to approximately 26.3% of the sales turnover in the second quarter of 2023, as compared with approximately 29.2% in the parallel period of the previous year. The gross profit amounted to NIS 407 million in the second quarter of 2023, as compared with NIS 445 million in the parallel period of the previous year, a decrease of 8.6%. The decrease in gross profit primarily derived from a decrease in gross profit in the food segment, primarily as a result of decreased profits, which resulted from the launch of Carrefour during the course of the second quarter of the year, from a decrease in gross profit in the electrical consumer products segment primarily as a result of decreased sales, which was partially offset by an increase in gross profit in the sports and leisure segment, primarily due to increased same store sales, and the consolidation of the Adidas brand during the fourth quarter of the previous year. (For additional details in connection with the report on business segments, see Section 4 to this Board of Directors Report.)

### **3.2.3 Selling and marketing expenses**

Selling and marketing expenses amounted to NIS 419 million (27.1% of sales turnover) in the second quarter of 2023, as compared with NIS 364 million (23.9% 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, which resulted from accelerated depreciation under the reorganisation plan in 2022 and the accelerated launch of Carrefour, and from increased salary expenses as a result of increased staffing, which was required for the launch of Carrefour, as well as from an increase in advertising costs, which resulted from extensive public advertising as part of the launch and operation of the 7-Eleven chain, whose first stores were launched during the Reporting Period, and due to an increase in the retail segment and the sports and leisure segment. (See Section 4 to this Board of Directors Report below for additional details in connection with reporting on business segments.)

### **3.2.4 Administrative and general expenses**

Management and general expenses amounted to NIS 30 million (approximately 2.0% of sales turnover) in the second quarter of 2023, as compared to NIS 26 million (approximately 1.7% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the retail food segment due to the logistical preparations for the launch of Carrefour and from the consolidation of Quik's operations as of the third quarter of the previous year.



### 3.2.5 Research and development expenses

Research and development expenses amounted to NIS 3.4 million in the second 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 the climate systems plant's future products (primarily, heating systems for export) and from research and development expenses in the retail food segment in the sum of NIS 1.5 million as a result of the consolidation of Quik's operations as of the third quarter of the previous year.

### 3.2.6 Operating income (loss) before other income, net

Operating loss before other income, net, amounted to NIS 45.5 million in the Reporting Period, as compared with income of NIS 54.9 million in the parallel period of the previous year, a decrease of approximately 183%, which primarily derived from the retail food market but also from the other operating segments in which the Group operates.

### 3.2.7 Other income, net

Other income, net, amounted to NIS 33.6 million in the second quarter of 2023, as compared with other income, net, of NIS 2.3 million in the parallel period of the previous year. Other income, net, primarily derived from the sale of a credit portfolio in the sum of NIS 34 million during the Reporting Period.

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

	Quarter 4-6/2023	Quarter 4-6/2022	For the year ended at December 31 2022
	NIS Thousands		
Income (loss) from disposal of property, plant, and equipment	251	(1,102)	(3,465)
Income (loss) from improvement/impairment of investment property	(346)	(3,061)	27,999
Capital gain from sale of consolidated partnership credit portfolio	34,242	-	-
Earnings from decrease in control in previously consolidated partnership	4,337	-	-
Income from settlement with Huawei	-	13,508	13,508
Standards Institute of Israel fine	-	(3,300)	(3,419)
Transaction costs and consulting and other expenses for years preceding the acquisition of Bitan Wines	-	-	(2,923)
Revenues (expenses) from lawsuits	(479)	827	(6,194)
Expenses for setting up the support system for establishment of the Carrefour chain prior to its operation	(2,256)	(1,493)	(7,519)
Other	(2,170)	(3,109)	(2,360)
<b>Total</b>	<b>33,579</b>	<b>2,270</b>	<b>15,627</b>

### **3.2.8 Operating income (loss) after other income, net**

Operating loss amounted to NIS 12 million in the second quarter of 2023, as compared with income of NIS 57 million in the parallel period of the previous year. The decrease in operating income after other income, net, was due to a decrease in operating income after other income, net, primarily in the retail food segment, but also in the other operating segments in which the Group operates.

### **3.2.9 Net financing income (expenses)**

Financing expenses, net, amounted to NIS 58 million in the second quarter of 2023, as compared with NIS 37 million 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 of April last year and in the Reporting Period, primarily 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 13 million and from an update of the fair value of the call option to purchase the previous controlling shareholder's share in Global Retail C.I. Ltd. (formerly, Bitan Wines Ltd.) in the sum of NIS 8 million.

### **3.2.10 Income (losses) before taxes on income**

Losses before taxes on income amounted to NIS 70.2 million in the second quarter of 2023, as compared with income before taxes on income of NIS 20.1 million in the parallel period of the previous year and primarily derived from the loss before taxes on income in the retail food market and from a decrease in income taxes on income in the other operating segments in which the Group operates.

### **3.2.11 Tax benefit (taxes on income)**

The tax benefit amounted to NIS 8.2 million in the second quarter of 2023, as compared with tax expenditures of NIS 8.5 million in the parallel period of the previous year. The tax benefit during the second quarter of the year was primarily due to a tax refund for prior years in the retail food segment and from a decrease in pre-tax income in the other segments in which the Group operates.

### **3.2.12 Net income (loss)**

Net loss amounted to NIS 62 million in the second quarter of 2023, as compared with net income of NIS 11.6 million in the parallel period of the previous year. The change was primarily due to a loss in the retail food segment in the second quarter of 2023 and from decreased net income in the rest of the operating segments in which the Group operates.

### **3.2.13 Net income (loss) attributed to Company shareholders**

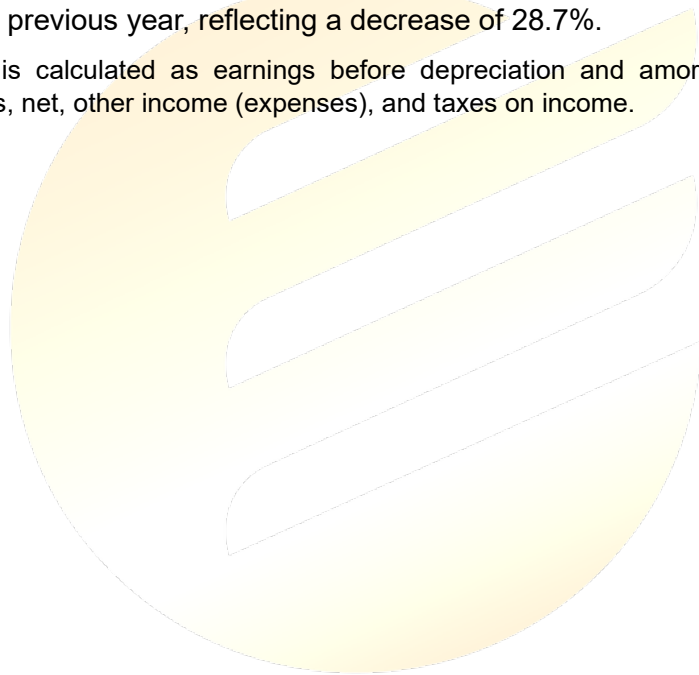
Loss attributed to the Company's shareholders amounted to NIS 21.4 million in the second quarter of 2023, as compared with income attributed to the Company's shareholders in the sum of NIS 20 million in the parallel period of the previous year. The change was due to a loss attributed to the Company's shareholders in the retail food segment in the second quarter of 2023 and from decreased net income in the rest of the operating segments in which the Group operates.

### 3.2.14 EBITDA \*)

EBITDA amounted to NIS 43 million in the second quarter of 2023, as compared with NIS 123 million in the parallel period of the previous year, a decrease of approximately 65.3%. The decrease in EBITDA primarily derived from a decrease in the retail food segment and in the electrical consumer products segment.

EBITDA, **after neutralisation of the retail food segment**, amounted to NIS 49 million in the second quarter of 2023, as compared with NIS 69 million in the parallel period of the previous year, reflecting a decrease of 28.7%.

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



## 4. Report on business segments

### 4.1 Revenues (in NIS Thousands)

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	635,135	686,701	(7.5%)	288,562	362,152	(20.3%)
Electrical retail	944,648	889,548	6.2%	460,207	468,843	(1.8%)
Retail food	1,436,714	1,400,214	2.6%	792,020	711,799	11.3%
Sports and leisure	119,213	87,611	36.1%	47,170	32,084	47.0%
Investment property	5,838	5,622	3.8%	2,976	2,871	3.7%
Adjustments and other	(90,052)	(95,758)	-	(44,965)	(54,301)	-
<b>Total</b>	<b>3,051,496</b>	<b>2,973,938</b>	<b>2.6%</b>	<b>1,545,970</b>	<b>1,523,448</b>	<b>1.5%</b>

### 4.2 Segmental Income (Loss) (in NIS Thousands):

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	53,709	75,927	(29.3%)	16,996	37,118	(54.2%)
Electrical retail	32,197	32,879	(2.1%)	13,919	16,993	(18.1%)
Retail food	(112,933)	13,508	(936.0%)	(64,037)	11,248	(669.3%)
Sports and leisure	(246)	6,725	(103.7%)	(6,518)	(2,300)	(183.4%)
Investment property	5,797	5,622	3.1%	2,974	2,871	3.6%
Adjustments and other	(3,626)	(5,238)	-	1,284	(1,922)	-
Total segmental income	(25,102)	129,423	(119.4%)	(35,382)	64,008	(155.3%)
Other income, net	31,062	33,249	-	33,579	2,270	-
Unallocated shared expenses	(14,902)	(19,830)	-	(10,138)	(9,151)	-
<b>Operating income (loss)</b>	<b>(8,942)</b>	<b>142,842</b>	<b>(106.3%)</b>	<b>(11,941)</b>	<b>57,127</b>	<b>(120.9%)</b>

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

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	68,344	88,596	(22.9%)	24,583	43,657	(43.7%)
Electrical retail	56,853	58,873	(3.4%)	26,291	28,972	(9.3%)
Retail food	458	98,778	(99.5%)	(6,304)	54,415	(111.6%)
Sports and leisure	19,659	19,184	2.5%	3,783	4,055	(6.7%)
Investment property	5,797	5,622	3.1%	2,974	2,871	3.6%
Adjustments and other	(3,191)	(4,741)	-	1,503	(1,727)	-
<b>Total segmental EBITDA</b>	<b>147,920</b>	<b>266,312</b>	<b>(44.5%)</b>	<b>52,830</b>	<b>132,243</b>	<b>(60.1%)</b>
Unallocated shared expenses	(14,902)	(19,830)	-	(10,138)	(9,151)	-
<b>EBITDA</b>	<b>133,018</b>	<b>246,482</b>	<b>(46.0%)</b>	<b>42,692</b>	<b>123,092</b>	<b>(65.3%)</b>

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

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	65,024	85,511	(24.0%)	22,862	41,972	(45.5%)
Electrical retail	35,829	36,081	(0.7%)	15,744	18,884	(16.6%)
Retail food	(109,160)	(127)	-	(61,994)	4,440	-
Sports and leisure	2,374	9,179	(74.1%)	(5,206)	(996)	(422.7%)
Investment property	5,797	5,622	3.1%	2,974	2,871	3.6%
Adjustments and other	(3,191)	(4,741)	-	1,503	(1,727)	-
<b>Total segmental EBITDA</b>	<b>(3,327)</b>	<b>131,525</b>	<b>(102.5%)</b>	<b>(24,117)</b>	<b>65,444</b>	<b>(136.9%)</b>
Unallocated shared expenses	(16,063)	(20,689)	-	(10,740)	(9,503)	-
<b>EBITDA</b>	<b>(19,390)</b>	<b>110,836</b>	<b>(117.5%)</b>	<b>(34,857)</b>	<b>55,941</b>	<b>(162.3%)</b>

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

##### (1) Electrical consumer products

The sales turnover amounted to NIS 635 million in the Reporting Period, as compared with NIS 687 million in the parallel period of the previous year, which constituted a decrease of approximately 7.5%. The decrease primarily derived from decreased sales of air conditioners and climate control systems, which derived from a decrease in sales in the local market, primarily as a result of decreased demand and the late start to the summer and from a delay in orders of heating systems for export due to difficulties with the supply of raw materials and regulatory changes in Europe, from a decrease in brand

commerce, and from a decrease in solar energy operations due to a deconsolidation during the Reporting Period. Segmental income, after neutralisation of other income, net, amounted to NIS 54 million in the Reporting Period, as compared with NIS 76 million in the parallel period of the previous year. The decrease in segmental income primarily derived from said revenue turnover.

The sales turnover amounted to NIS 289 million in the second quarter of 2023, as compared with NIS 362 million in the parallel period of the previous year, a decrease of approximately 20.3%.

The decrease primarily derived from decreased sales of air conditioners and climate control systems, which derived from a decrease in sales in the local market, primarily as a result of decreased demand and the late start to the summer and from a delay in orders of heating systems for export, from a decrease in brand commerce, and from a decrease in solar energy operations due to a deconsolidation. Segmental profit amounted to NIS 17 million in the second quarter of 2023, as compared with NIS 37 million in the parallel period of the previous year and was primarily due to the decrease in revenue turnover.

## **(2) Electrical retail**

The sales turnover amounted to NIS 945 million in the Reporting Period, as compared with NIS 890 million in the parallel period of the previous year, which constitutes an increase of approximately 6.2%.

**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 3.4%. The increase in sales primarily derived from increased duty-free sales and increased same store sales.**

Monthly average sales per square metre in the same stores amounted to NIS 3,205 per square metre, as compared with NIS 3,099 per square metre in the parallel period of the previous year.

Segmental profit, after neutralisation of other income, net, decreased and amounted to NIS 32 million in the Reporting Period, as compared with NIS 33 million in the parallel period of the previous year. The decrease was primarily the result of increased rental costs for duty free stores, which derived from the increase in the number of travellers.

The sales turnover amounted to NIS 460 million in the second quarter of 2023, as compared with NIS 469 million in the parallel period of the previous year, a decrease of approximately 1.8%.

The sales in the same stores in the segment that operated fully in the second quarter of 2023 decreased in comparison to the parallel period of the previous year by approximately 3.4%. The decrease in sales primarily derived from the timing of the Passover holiday and from a decrease in same store sales.

Monthly average sales per square metre in the same stores amounted to NIS 3,106 per square metre, as compared with NIS 3,242 per square metre in the parallel period of the previous year.

Segmental profit, after neutralisation of other income, net, decreased and amounted to NIS 14 million in the second quarter of 2023, as compared with NIS 17 million in the parallel period of the previous year. The decrease was primarily the result of increased

rental costs for duty free stores, which derived from the increase in the number of travellers.

### (3) Retail food

The sales turnover amounted to NIS 1,437 million in the Reporting Period, reflecting an increase of 2.6%, as compared with NIS 1,400 million in the parallel period of the previous year. During the Reporting Period, sales decreased by NIS 110 million as a result of the closing and the partial closing of stores for their renovation and conversion to the Carrefour chain, which was launched with the opening of 50 branches on May 9, 2023, as aforesaid. However, immediately afterward, there was a sharp increase in revenue turnover in the stores that had been converted to Carrefour, with an estimated contribution of NIS 95 million to the sales turnover during that period.

Similarly, there was an increase of NIS 25 million in online sales, inter alia, due to the consolidation of Quik's operations (which were first consolidated as of the third quarter of the previous year), and due to revenues in the sum of NIS 6 million of the 7-Eleven chain, whose first stores were launched during the Reporting Period.

**The sales in the same stores in this segment that fully operated in the Reporting Period increased by 2.6% as compared to the parallel period of the previous year. (Stores that were closed for renovation and conversion to Carrefour were not taken into account in the above calculation.)**

Monthly average sales per square metre during this half amounted to NIS 27,047, as compared with NIS 24,360 per square metre in the parallel period of the previous year.

Segmental losses, after neutralisation of other income, net, amounted to NIS 113 million in the reporting period, as compared with income after neutralisation of other income, net, of NIS 14 million in the parallel period of the previous year and resulted primarily from the loss of revenues during the renovation and conversion of stores and from the decrease in profitability that had resulted from the launch of Carrefour in light of the investment of resources and staffing for the launch and for the establishment of a Carrefour product importing network, and from the expansion of sales campaigns aimed at customers as part of the launch. Similarly, Quik's operations, which were consolidated at the end of 2022, and the operations of the 7-Eleven chain, which is in the process of being established, collectively contributed to a segmental loss of NIS 28 million during the Reporting Period.

The sales turnover amounted to NIS 792 million in the second quarter of 2023, reflecting a decrease of 11.3%, as compared with NIS 712 million in the parallel period of the previous year. The increase in revenue turnover primarily derived from the launch of Carrefour, which was launched with the opening of 50 branches on 9 May 2023, as aforesaid, with an estimated contribution of NIS 95 million, and was partially offset by decreased revenue turnover, primarily due to the closing of stores and the partial operation of stores for their renovation and conversion to Carrefour, in the sum of NIS 13 million.

**The sales in the same stores in this segment that operated fully in the second quarter of 2023 increased by approximately 6.8% as compared to the parallel period of the previous year. (Stores that were closed for renovation and conversion to Carrefour were not taken into account for the above calculation.)**

Annual average sales per square metre amounted to NIS 28,215 during the second quarter, as compared with NIS 24,912 per square metre in the parallel period of the previous year.

**Sales per square metre in Carrefour stores during May-June 2023 came to an annual average of NIS 46,872 thousand per square metre.**

Segmental losses, after neutralisation of other income, net, amounted to NIS 64 million in the second quarter of 2023, as compared with income after neutralisation of other income, net, of NIS 11 million in the parallel period of the previous year and primarily resulted from the loss of revenues during the renovation and conversion of stores, and from decreased profits because of the launch of Carrefour in light of the investment of resources and staffing for the launch of Carrefour in light of the investment of resources and staffing for the launch and for the establishment of a Carrefour product importing network, and from the expansion of sales campaigns aimed at customers as part of the launch. Similarly, Quik's operations, which were consolidated at the end of 2022, and the operations of the 7-Eleven chain, which is in the process of being established, collectively contributed to a segmental loss of NIS 28 million during the Reporting Period.

See Notes 4A(7) and 4A(7)(b) to the Interim Consolidated Financial Statements for additional details 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 119 million in the Reporting Period, reflecting an increase of 36.1%, as compared with NIS 88 million in the parallel period of the previous year. The increase in revenue turnover derived from 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 as of the fourth quarter of 2022, which contributed revenue amounting to NIS 23 million in the Reporting Period.

Same store sales in this segment, which operated fully in the Reporting Period, decreased by 5% 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 9% compared with the corresponding period last year in the pro forma statement.

Segmental losses, after neutralisation of other income, net, amounted to NIS 0.2 million in the Reporting Period, as compared with income after neutralisation of other income, net, of NIS 6.7 million in the parallel period of the previous year. The decrease in segmental income primarily derived from said decreased sales in the same stores.

The sales turnover amounted to NIS 47 million in the second quarter of 2023, reflecting a decrease of 47%, as compared with NIS 32 million in the parallel period of the previous year. The increase in revenue turnover derived from 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 as of the fourth quarter of 2022, which contributed revenue amounting to NIS 12 million in the Reporting Period.

The sales in the same stores in this segment that operated fully in the second quarter of 2023 increased by approximately 6.4% as compared to the parallel period of the previous year. Same store sales of Adidas, which was consolidated as from the fourth quarter of 2022 as aforesaid, grew at a rate of 7.5% compared with the corresponding period last year in the pro forma statement.



Segmental losses in the second quarter of 2023, after neutralisation of other income, net, amounted to NIS 6.6 million, as compared with a loss after neutralisation of other income, net, of NIS 2.3 million in the parallel period of the previous year. The increased segmental losses were primarily the result of new stores in Sa'ar's operations, which have not yet turned a profit.

**(5) Investment property**

The sales turnover amounted to NIS 6 million in the Reporting Period, similar to NIS 6 million in the parallel period of the previous year.

The segmental profit before other income in the Reporting Period amounted to NIS 6 million in the Reporting Period, similar to NIS 6 million in the parallel period of the previous year.

The sales turnover amounted to NIS 3 million in the second quarter of 2023, similar to the sum of NIS 3 million in the parallel period of the previous year.

The segmental profit before other income amounted to NIS 3 million in the second quarter of 2023, similar to the sum of NIS 3 million in the parallel period of the previous year.

## 5. Below is a concise summary of retail results:

Summary of results of retail activity for the three months ended at 30 June 2023 compared with the corresponding period last year and the year ended at 31 December 2022:

Electrical Retail in NIS Thousands		4-6/2023	4-6/2022	31.12.2022
<b>General data</b>				
Number of franchise branches		2	2	2
Number of directly operated branches		77	78	77
Commercial space, gross (m2)		43,988	44,345	43,988
Human capital	Branches	718	741	939
	Other	125	109	71
<b>Revenues</b>				
Revenues	Directly operated	460,207	468,843	1,950,372
Cost of sale	Variable costs	348,179	357,346	1,487,957
Rent (according to gross commercial space as set forth above)	After applying IFRS 16(*)	14,616	11,428	39,195
	Without applying IFRS 16	24,529	20,942	80,613
Total salary costs attributed to retail operations employees (including contract worker expenses)		43,243	42,981	166,264
Depreciation expenses after applying IFRS 16		12,372	11,979	51,417
Segmental income		13,706	17,108	81,949
Operational working capital (**)		(217,208)	(248,093)	(270,972)(****)
<b>Redemption and sales data</b>				
Revenues per square metre - monthly average in NIS thousands		3.17	3.24	3.36
Percent change in revenues from same stores (%)(***)		-3.4%	-1.5%	-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 percent change in revenues from same stores, see Section 4.5(2) to the Board of Directors Report as at 30 June 2023.

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

Electrical Retail	For the quarter ending		
	30.6.2023	30.6.2022	31.12.2022
<b>Group growth</b>			
Percent change in commercial/sales floor space	-0.8%	12.6%	3.7%
Percent change in same store sales (*)	-3.4%	-1.5%	-6.3%

(\*) For an explanation of the percent change in revenues from same stores, see Section 4.5(2) to the Board of Directors Report as at 30 June 2023.

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Retail Food in NIS Thousands (****)		4-6/2023	4-6/2022	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	4,914	4,193	4,193 (****)
	Other	87	88	77
<b>Operations Results</b>				
Revenues	Directly operated	782,085	708,335	2,825,530
	Other income	5,646	3,464	15,708
Cost of sale	Variable costs	593,964	491,343	1,930,947
Rent (according to net commercial space as set forth above)	After applying IFRS 16 (*)	3,915	4,869	15,151
	Without applying IFRS 16	56,923	53,713	212,853
Total salary costs attributed to retail operations employees (including contract worker expenses)		136,920	110,480	448,893 (****)
Depreciation expenses after applying IFRS 16		56,470	43,167	187,842
Operating income (loss) (*****)		(58,617)	12,174	46,482
Operational working capital (**)		(520,385)	(439,602)	(384,736)
<b>Redemption and sales data</b>				
Revenues per square metre - monthly average in NIS thousands		2.29	2.04	8.19
Percent change in revenues from same stores (%) (***)		6.8%	-2.2%	-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 percent change in revenues from same stores, see Section 4.5(3) to the Board of Directors Report as at 30 June 2023.

(\*\*\*\*) The data are presented without 7-Eleven's operations, which are not material to the segment's operations.

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

(\*\*\*\*\*\*) Before reorganisation and other expenses.

Retail Food Field	For the quarter ending		
	30.6.2023	30.6.2022	31.12.2022
<b>Group growth</b>			
Percent change in commercial/sales floor space	-1.67%	0.84%	-0.63%
Percent change in same store sales (*)	6.8%	-2.2%	-4.32%

(\*) For an explanation of the percent change in revenues from same stores, see Section 4.5(3) to the Board of Directors Report as at 30 June 2023.

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Sports and Leisure in NIS Thousands		4-6/2023	4-6/2022 (*)	31.12.2022(**)
<b>General data</b>				
Number of directly operated branches		67	42	65
Commercial space, gross (m2)		18,199	10,423	18,199
Human capital	Branches	423	277	491
	Other	98	61	62
<b>Revenues</b>				
Revenues	Directly operated	38,421	23,020	160,529
	Wholesale	8,749	9,064	53,673
Cost of sale	Variable costs	19,498	10,701	83,695
Rent (according to gross commercial space as set forth above)	After applying IFRS 16 (***)	1,134	233	1,370
	Without applying IFRS 16	9,500	4,766	22,312
Total salary costs attributed to retail operations employees (including contract worker expenses)		6,540	3,843	19,475
Depreciation expenses after applying IFRS 16		10,301	6,355	28,447
Segmental income		(6,650)	(2,300)	19,765
Operational working capital (****)		112,653	46,867	95,497
<b>Redemption and sales data</b>				
Revenues per square metre - monthly average in NIS thousands		0.68	0.72	0.72
Change in revenues from same stores (%) (*****)		6.4%	-9.2%	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 corresponding with the 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 percent change in revenues from same stores, see Section 4.5(4) to the Board of Directors Report as at 30 June 2023.

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

Sports and Leisure	For the quarter ending		
	30.6.2023	30.6.2022 (*)	31.12.2022 (**)
<b>Group growth</b>			
Percent change in commercial/sales floor space	75%	34%	87%
Percent change in same store sales (***)	6.4%	-9.2%	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 corresponding with the consolidation for the first time.

(\*\*\*) For an additional explanation of the percent change in revenues from same stores, see Section 4.5(4) to the Board of Directors Report as at 30 June 2023.

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

## 6. 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)

	1-6/2023		1-6/2022		1-12/2022	
	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 (loss)	(8,942)	(40,088)	142,842	111,627	198,250	137,442
Financing expenses, net	(107,604)	(63,209)	(63,539)	(22,115)	(126,583)	(42,139)
Income (loss) before taxes on income	(116,546)	(103,297)	79,303	89,512	71,667	95,303
Tax benefit (taxes on income)	1,853	1,853	(25,795)	(25,795)	(28,037)	(28,037)
<b>Net income (loss) from continuing operations</b>	<b>(114,693)</b>	<b>(101,444)</b>	<b>53,508</b>	<b>63,717</b>	<b>43,630</b>	<b>67,266</b>
Net income (loss) attributed to Company shareholders	(31,882)	(26,934)	66,611	69,402	102,927	122,849
<b>EBITDA</b>	<b>133,018</b>	<b>(19,390)</b>	<b>246,482</b>	<b>110,836</b>	<b>530,243</b>	<b>250,694</b>
	4-6/2023		4-6/2022			
	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases		
Operating income (loss)	(11,941)	(27,258)	57,127	41,815		
Financing expenses, net	(58,269)	(35,159)	(37,035)	(15,975)		
Income (loss) before taxes on income	(70,210)	(62,417)	20,092	25,840		
Tax benefit (taxes on income)	8,184	8,184	(8,464)	(8,464)		
<b>Net income (loss) from continuing operations</b>	<b>(62,026)</b>	<b>(54,233)</b>	<b>11,628</b>	<b>17,376</b>		
Net income (loss) attributed to Company shareholders	(21,371)	(23,360)	20,007	23,943		
<b>EBITDA</b>	<b>42,692</b>	<b>(34,857)</b>	<b>123,092</b>	<b>55,941</b>		

**Below are details of the adjustments made for the presentation of the results net of the impact of IFRS 16 - Leases:**

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	<b>in NIS Thousands</b>				
<b>Operating income (loss) as reported</b>	<b>(8,942)</b>	<b>142,842</b>	<b>(11,941)</b>	<b>57,127</b>	<b>198,250</b>
Additional rental expenses resulting from the neutralisation of the effects of applying IFRS 16	(152,408)	(135,646)	(77,549)	(67,151)	(279,549)
Net of depreciation effects - IFRS 16	121,262	104,431	62,232	51,839	218,741
<b>Operating income (loss) after neutralisation of IFRS 16</b>	<b>(40,088)</b>	<b>111,627</b>	<b>(27,258)</b>	<b>41,815</b>	<b>137,442</b>
Net of effects of financing expenses when applying IFRS 16	44,395	41,424	23,110	21,061	84,444
<b>EBITDA as reported</b>	<b>133,018</b>	<b>246,482</b>	<b>42,692</b>	<b>123,092</b>	<b>530,243</b>
Inclusion of rent expenses	152,408	135,646	77,549	67,151	(279,549)
<b>EBITDA after neutralisation of effects of IFRS 16</b>	<b>(19,390)</b>	<b>110,836</b>	<b>(34,857)</b>	<b>55,941</b>	<b>250,694</b>

## 7. Distribution of the sources of financing

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

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	in NIS Thousands				
Cash flows generated (absorbed) by					
Current operations	(103,662)	162,556	(32,125)	79,861	329,293
Investment operations	(337,376)	(116,691)	(132,444)	(61,261)	(281,653)
Cash used in discontinued operations	-	-	-	-	(87,500)
Financing	160,765	99,560	5,405	8,831	258,918
<b>Total cash increase (decrease)</b>	<b>(280,273)</b>	<b>145,425</b>	<b>(159,164)</b>	<b>27,431</b>	<b>219,058</b>

### 7.2 Cash flows from current operations

Net cash used in current operations amounted to NIS 104 million in the Reporting Period, as compared with net cash that derived from current operations of NIS 163 million in the previous year. The decrease in cashflow from current operations during the Reporting Period as compared with the parallel period of the previous year primarily arose from stocking up on inventory for the summer and for the launch of Carrefour and was partially offset by an increase in trade payables, primarily due to the timing of payments to vendors and the extension of the credit period with Carrefour.

Net cash used in current operations amounted to NIS 32 million in the second quarter of 2023, as compared with net cash that derived from current operations of NIS 80 million in the previous year. The decrease in cashflow from current operations in the second quarter of 2023 as compared with the parallel period of the previous year primarily derived from increased inventory balances, primarily from stocking up on inventory for the summer and for the launch of Carrefour and was partially offset by the launch of Carrefour, which resulted in an increase in redemption from converted stores and an increase in trade payables, primarily due to the timing of payments to vendors and the extension of the credit period with Carrefour.

### 7.3 Cash flows absorbed by investment activity

Net cash that was used by investment activity amounted to NIS 337 million in the Reporting Period, as compared with NIS 117 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 124 million and an increase in investments in fixed assets in the sum of NIS 251 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, partially offset by the consideration from disposal of a credit portfolio in a consolidated partnership in the sum of NIS 35 million.

Net cash absorbed by investment activity amounted to NIS 132 in the second quarter of 2023, as compared with the sum of NIS 61 million in the parallel period of the previous year. The increase in the Reporting Period was due to an increase in investments in fixed assets in the sum of NIS 110 million in the second quarter of 2023 compared with last year, mainly in the food segment following the renovation and conversion of stores and their preparation for the launch of Carrefour, which was partially offset by the consideration from the disposal of a credit portfolio in a consolidated partnership in the sum of NIS 35 million.

#### **7.4 Cash flows generated by financing activity**

The net cash that derived from financing activity amounted to NIS 161 million in the Reporting Period, as compared with net cash generated by financing activity of NIS 100 million in the parallel period of the previous year. Net cash arising from financing activities during the Reporting Period 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, from the issuance of equity to holders of non-controlling rights in a subsidiary in the sum of NIS 42 million, and from short-term credit from banks in the sum of NIS 125 million, and was partially offset by the payment of a dividend to the Company's shareholders in the sum of NIS 35 million, from the repayment of long-term liabilities to banks and others in the sum of NIS 16 million, and from repayment of leasing liabilities in the sum of NIS 106 million. Net cash arising from financing activities during the previous year primarily derived from long-term loans from banks and other corporations in the sum of NIS 453 million and was partially offset by the payment of a dividend to the Company's shareholders in the sum of NIS 30 million, from the repayment of long-term liabilities to banks in the sum of NIS 193 million, from the purchase of treasury shares in the sum of NIS 35 million, and from repayment of leasing liabilities in the sum of NIS 93 million.

The net cash that derived from financing activities amounted to NIS 5 million in the second quarter of 2023, as compared with net cash that derived from financing activities in the sum of NIS 9 million in the parallel period of the previous year. Net cash arising from financing activities in the second quarter of 2023 primarily derived from short-term credit from banks and other corporations in the sum of NIS 106 million and was partially offset by the payment of a dividend to the Company's shareholders in the sum of NIS 35 million, from the repayment of long-term liabilities to banks and others in the sum of NIS 15 million, and from repayment of leasing liabilities in the sum of NIS 53 million. Net cash arising from financing activities during the previous year primarily derived from long-term loans from banks and other corporations in the sum of NIS 206 million and was partially offset by the payment of a dividend to the Company's shareholders in the sum of NIS 30 million, from the purchase of treasury shares in the sum of NIS 35 million, from short-term credit to banks in the sum of NIS 86 million, and from repayment of leasing liabilities in the sum of NIS 44 million.

#### **8. Events after the balance sheet date**

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

#### **9. 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 the years, have varied within 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%; during the first quarter of 2023, the CPI increased by 1.2%; and in the second quarter of 2023, the CPI increased by 1%. According to the forecast of the Bank of Israel's research arm, the rate of inflation during the next four fiscal quarters ending in the second quarter of 2024 is expected to come to 3% and in 2024, to 2.4%. As part of its attempt to slow down the inflation rate in Israel, the Bank of Israel had begun raising 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%. According to the Bank of Israel forecast, Israel's monetary interest rate is expected to remain the same or to come to 5% on average during the first and second quarters of 2024. The Company has long-term liabilities to banks and others in the sum of NIS 741 million, which are linked to the prime rate (of which, NIS 485 million is attributed to Global Retail C.I. Ltd.), and short-term liabilities to banks in the sum of NIS 273 million, which are 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. 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 current cash flow that it generates, will allow it to continue financing its operations and meeting 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.**

## **10. Geopolitical trends in Israel and the Middle East and the security situation**

In recent months, there has been increasing sociopolitical protest in Israel, inter alia, on the background of the advancement of significant legislation primarily relating to changes to the judicial system. At this stage in the legislative process, the Company is unable to assess how the process will end or the extent of its effects, if any, on the Group.

## **11. 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.

## **12. 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.

## **13. 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.

## **14. 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.

## **15. Disclosure regarding critical accounting estimates**

See the Board of Directors Report for 31 December 2022.

## **16. Report on the liabilities position of the Company and the consolidated companies**

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

## 17. Financial benchmarks

The following table sets forth the various criteria that the Company undertook with respect to bondholders the calculation of whose results is accurate as at 30 June 2023:

Security	Balance of the par value of the security in circulation (in NIS Thousands)		Financial benchmark	Actual benchmark as at 30.6.2023
	As at 30 June 2023	Immediately prior to reporting date		
(Series A) Bonds/ Debentures			<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 million.	NIS 619 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%.	15.09%

## 18. Below are the details about the (Series A) Bonds (in NIS Thousands)

### 18.1 The following table 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; <sup>(2)</sup> 17 August and 20 December 2022, in the framework of private offerings to classified investors <sup>(3)</sup>
2.	Total par value on the date of issue <sup>(2)</sup> Total par value on the date that the series was expanded <sup>(3)</sup>	NIS 250,000,000 par value NIS 100,000,000 par value; NIS 78,125,000 par value
3.	Par value balance as at 30 June 2023	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 30 June 2023	- (4)
7.	Stock market value as at 29 August 2023	NIS 388.5 million

**The Board of Directors Report on the State of the Corporation's Affairs  
For the Period Ended at 30 June 2023**

<b>Bonds (Series A)(1)</b>		
<b>Disclosure item</b>		<b>Details about the bonds (Series A)</b>
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 " <b>Trust Deed</b> ") 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
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>Bonds (Series A)(1)</b>		
<b>Disclosure item</b>		<b>Details about the bonds (Series A)</b>
<b>Details about the (Series A) bond rating</b>		
1.	Name of rating company as of the report date	Standard & Poor's Maalot Ltd. ("Maalot")
2.	Rating determined on the date of issue	'ilAA-' (January and February 2022)
3.	Rating on the report publication date	'ilAA-' (August 2023)(5)
4.	Additional ratings between the date of issue and the report date	'ilAA-' (August, September, and December 2022)

- (1) As of the reporting date, pursuant to the provisions of Article 10(B)(13)(a) to the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "Reports 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), which is included in this report by way of reference, in which the Company made an initial public offering of NIS 250 million 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), which are included in this report by way of reference.
- (4) The amount of interest accrued as at 30 August 2023 in respect of the (Series A) bonds is NIS 1,523 thousand.
- (5) See the Company's immediate report dated 20 August 2023 (reference number: 2023-15-077302), which is included in this report by way of reference, for details about the updated ratings report for the (Series A) bonds as of the date of the publication of this report.

## **18.2 Working capital shortfall**

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

As at 30 June 2023, the Company listed, in its consolidated financial statements, negative working capital (net) (current assets less current liabilities) of NIS 778 million and a negative operating capital (net) - which characterises retail operations such as the Company's - of NIS 138 million. Similarly, as at that date, according to the Company's separate (solo) financial data, the Company has a negative working capital (net) (current assets less current liabilities) of NIS 139 million and a negative operating capital (net) of NIS 7 million.

Net of the food segment, the Company has positive working capital (net) (current assets less current liabilities) in the sum of NIS 226 million and positive operating working capital (net) in the sum of NIS 453 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.

## 19. Linkage bases report as at 30 June 2023 (in NIS Thousands):

	<u>Dollars</u>	<u>Euro</u>	<u>Total foreign currency</u>	<u>Unlinked</u>	<u>Linked</u>	<u>Non- monetary</u>	<u>Total</u>
<b>Assets</b>							
Cash and cash equivalents	5,600	21,332	26,932	256,285	-	-	283,217
Deposits and short-term investments	24,331	-	24,331	102,383	-	-	126,714
Trade receivables	4,598	30,296	34,894	652,721	-	-	687,615
Other receivables	13,486	3,908	17,394	94,630	5,956	21,674	139,654
Inventory	-	-	-	-	-	1,084,947	1,084,947
Long-term trade and other receivables	-	1,927	1,927	5,412	8,428	-	15,767
Investments in the Company accounted for at equity	-	-	-	-	-	13,383	13,383
Investment property	-	-	-	-	-	326,979	326,979
Investment property under construction	-	-	-	-	-	29,290	29,290
Property, plant, and equipment, net	-	-	-	-	-	591,126	591,126
Right-of-use assets, land	-	-	-	-	-	64,438	64,438
Right-of-use assets, other	-	-	-	-	-	1,648,290	1,648,290
Goodwill	-	-	-	-	-	1,948,388	1,948,388
Intangible assets	-	-	-	-	-	145,832	145,832
Deferred taxes	-	-	-	-	-	22,121	22,121
<b>Total assets</b>	<b>48,015</b>	<b>57,463</b>	<b>105,478</b>	<b>1,111,431</b>	<b>14,384</b>	<b>5,896,468</b>	<b>7,127,761</b>
<b>Liabilities</b>							
Credit from banks and others	-	-	-	375,993	-	-	375,993
Current maturities of bonds	-	-	-	49,872	-	-	49,872
Current maturities of leasing liabilities	-	-	-	-	219,561	-	219,561
Trade payables	256,766	118,159	374,925	1,535,565	-	-	1,910,490
Other payables	-	26,954	26,954	283,895	14,403	219,394	544,646
Loans from banks and others	-	-	-	639,273	-	-	639,273
Bonds/Debentures	-	-	-	362,899	-	-	362,899
Leasing liabilities	-	-	-	-	1,692,029	-	1,692,029
Other non-current liabilities	-	7,151	7,151	13,870	-	115,159	136,180
Employee benefit liabilities, net	-	-	-	-	-	32,703	32,703
Deferred taxes	-	-	-	-	-	44,480	44,480
<b>Total liabilities</b>	<b>256,766</b>	<b>152,264</b>	<b>409,030</b>	<b>3,261,367</b>	<b>1,925,993</b>	<b>411,736</b>	<b>6,008,126</b>
<b>Balance of the exposure of assets (liabilities) to results</b>	<b>(208,751)</b>	<b>(94,801)</b>	<b>(303,552)</b>	<b>(2,149,936)</b>	<b>(1,911,609)</b>	<b>5,484,732</b>	<b>1,119,635</b>

Daniel Salkind, Chairman of the Board

Zvika Schwimmer, Chief Executive Officer

Date: 30 August 2023

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

**Interim Consolidated Financial Statements as at June 30, 2023**

**Unaudited**

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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 30 June 2023 and the Summary Consolidated Statements of Profit and Loss and Other Comprehensive Income, Changes in Equity, and Cash Flows for the six- and three-month periods ended on that date. The board of directors and management are responsible for the preparation and presentation of the financial information for 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,  
August 30, 2023

Kost Forer Gabbay and Kasierer  
Accountants



**Consolidated Statements of Financial Position**

	<b>As at 30 June</b>		<b>As at</b>
	<b>2023</b>	<b>2022</b>	<b>31 December</b>
	<b>Unaudited</b>		<b>2022</b>
	<b>NIS Thousands</b>		<b>Audited</b>
<b><u>Current assets</u></b>			
Cash and cash equivalents	283,217	489,857	563,490
Deposits and short-term investments	126,714	3,248	671
Trade receivables	687,615	596,289	718,361
Other receivables	139,654	72,835	115,145
Inventory	1,084,947	973,478	792,103
	<u>2,322,147</u>	<u>2,135,707</u>	<u>2,189,770</u>
<b><u>Non-current assets</u></b>			
Long-term trade and other receivables	15,767	29,871	20,883
Investments in the Company accounted for at equity	13,383	-	-
Investment property	326,979	326,616	326,616
Investment property under construction	29,290	41,696	29,179
Property, plant, and equipment, net	591,126	254,433	319,802
Right-of-use assets, land	64,438	56,097	64,774
Right-of-use assets, other	1,648,290	1,544,006	1,635,893
Goodwill	1,948,388	1,911,885	1,958,263
Intangible assets	145,832	103,591	129,362
Deferred taxes	22,121	26,708	21,928
	<u>4,805,614</u>	<u>4,294,903</u>	<u>4,506,700</u>
	<u><u>7,127,761</u></u>	<u><u>6,430,610</u></u>	<u><u>6,696,470</u></u>

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

**Consolidated Statements of Financial Position**

	As at 30 June		As at
	2023	2022	31 December
	Unaudited		Audited
	NIS Thousands		
<u>Current liabilities</u>			
Credit from banks and others	375,993	60,103	219,093
Current maturities of bonds	49,872	-	49,579
Current maturities of leasing liabilities	219,561	197,892	206,804
Trade payables	1,910,490	1,651,870	1,607,276
Other payables	544,646	641,217	575,036
	<u>3,100,562</u>	<u>2,551,082</u>	<u>2,657,788</u>
<u>Non-current liabilities</u>			
Loans from banks and others	639,273	618,119	549,955
Bonds/Debentures	362,899	247,306	361,213
Leasing liabilities	1,692,029	1,581,640	1,680,804
Other liabilities	136,180	134,788	145,958
Employee benefit liabilities, net	32,703	35,839	32,732
Deferred taxes	44,480	44,061	44,212
	<u>2,907,564</u>	<u>2,661,753</u>	<u>2,814,874</u>
<u>Equity</u>			
Equity attributed to Company shareholders	619,429	692,783	671,960
Non-controlling interests	500,206	524,992	551,848
	<u>1,119,635</u>	<u>1,217,775</u>	<u>1,223,808</u>
<u>Total equity</u>	<u>7,127,761</u>	<u>6,430,610</u>	<u>6,696,470</u>

August 30, 2023

Date of approval of the  
financial statementsDaniel Salkind  
Chair of the Board of  
DirectorsZvika Schwimmer  
Chief Executive  
OfficerYehonatan Tsabari  
Chief Financial Officer

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

## Consolidated Statements of Profit and Loss and Other Comprehensive Income

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
NIS Thousands					
Revenues from sales and provision of services	3,051,496	2,973,938	1,545,970	1,523,448	6,242,313
Cost of sales and provision of services	2,212,617	2,110,046 *)	1,138,756	1,078,093*	4,416,155*
Operating profit	838,879	863,892	407,214	445,355	1,826,158
Selling and marketing expenses	(814,046)	(703,477) *)	(418,787)	(363,784)*	(1,476,274)*
Administrative and general expenses	(57,206)	(48,865)	(30,202)	(25,762)	(107,176)
Research and development expenses	(6,972)	(1,957)	(3,404)	(952)	(8,115)
Group's share in corporate losses accounted for at equity, net	(659)	-	(341)	-	(140)
Operating income (loss) before other income, net, and reorganization expenses	(40,004)	109,593	(45,520)	54,857	234,453
Other income, net	31,062	33,249	33,579	2,270	15,627
Reorganization expenses	-	-	-	-	(51,830)
Operating profit (loss) after other income, net, and reorganization expenses	(8,942)	142,842	(11,941)	57,127	198,250
Financing income	5,836	1,075	3,353	-	3,400
Financing expenses	(113,440)	(64,614)	(61,622)	(37,035)	(129,983)
Profit (loss) before taxes on income	(116,546)	79,303	(70,210)	20,092	71,667
Tax benefit (taxes on income)	1,853	(25,795)	8,184	(8,464)	(28,037)
Net profit (loss)	(114,693)	53,508	(62,026)	11,628	43,630
Net profit (loss) attributable to:					
Company shareholders	(31,882)	66,611	(21,371)	20,007	102,927
Non-controlling interests	(82,811)	(13,103)	(40,655)	(8,379)	(59,297)
	(114,693)	53,508	(62,026)	11,628	43,630
Base net income (loss) per share attributed to Company shareholders (in NIS)	(1.48)	3.04	(0.99)	0.92	4.74
Diluted net income (loss) per share attributed to Company shareholders (in NIS)	(1.48)	2.99	(0.99)	0.90	4.65
Weighted number of shares used in calculating base net income (loss) per share	21,592,363	21,896,557	21,589,861	21,851,564	21,733,811
Weighted number of shares used in calculating diluted net income (loss) per share	21,592,363	22,303,495	21,589,861	22,252,027	22,137,382

\*) Reclassified.

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

**Consolidated Statements of Profit and Loss and Other Comprehensive Income**

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
Net profit (loss)	(114,693)	53,508	(62,026)	11,628	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	-	2,009	-	2,009	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	(4,881)	316	(4,739)	234	521
Transfer to statement of profit and loss with respect to cash flow hedging transactions	4,676	-	-	-	-
Total other comprehensive profit (loss)	(205)	2,325	(4,739)	2,243	3,594
Total comprehensive income (loss)	(114,898)	55,833	(66,765)	13,871	47,224
<u>Comprehensive profit (loss) attributed to:</u>					
Company shareholders	(33,957)	68,498	(26,110)	21,812	108,119
Non-controlling interests	(80,941)	(12,665)	(40,655)	(7,941)	(60,895)
	(114,898)	55,833	(66,765)	13,871	47,224

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 loss	-	-	-	-	-	-	-	(2,075)	(31,882)	(33,957)	(80,941)	(114,898)
Cost of share-based payments	-	-	-	-	-	2,301	-	-	-	2,301	964	3,265
Buyback of Company shares	-	-	(3,826)	-	-	-	-	-	-	(3,826)	-	(3,826)
Exercise of warrants	12	228	-	-	-	(228)	-	-	-	12	-	12
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)	-
Deconsolidation of consolidated partnership	-	-	-	-	-	-	-	-	-	-	2,750	2,750
Investment in consolidated partnership equity by non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,960	1,960
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	(35,000)	(35,000)	-	(35,000)
Balance as at 30 June 2023	<u>73,162</u>	<u>430,889</u>	<u>(115,018)</u>	<u>4,362</u>	<u>(11,188)</u>	<u>11,384</u>	<u>(2,324)</u>	<u>-</u>	<u>228,162</u>	<u>619,429</u>	<u>500,206</u>	<u>1,119,635</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)	-	-	-	-	-	-	1,571	316	66,611	68,498	(12,665)	55,833
Cost of share-based payments	-	-	-	-	-	2,315	-	-	-	2,315	-	2,315
Buyback of Company shares	-	-	(34,682)	-	-	-	-	-	-	(34,682)	-	(34,682)
Transaction with holders of non-controlling interests	-	-	-	-	(4,318)	-	-	-	-	(4,318)	4,318	-
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,499)	(2,499)
Balance as at 30 June 2022	<u>73,150</u>	<u>430,661</u>	<u>(100,493)</u>	<u>4,362</u>	<u>(6,977)</u>	<u>6,906</u>	<u>(3,554)</u>	<u>-</u>	<u>288,728</u>	<u>692,783</u>	<u>524,992</u>	<u>1,217,775</u>

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 April 2023 (audited)	73,150	430,661	(115,018)	4,362	(11,188)	10,485	(2,324)	4,739	249,533	644,400	536,004	1,180,404
Total comprehensive loss	-	-	-	-	-	-	-	(4,739)	(21,371)	(26,110)	(40,655)	(66,765)
Cost of share-based payments	-	-	-	-	-	1,127	-	-	-	1,127	147	1,274
Exercise of warrants	12	228	-	-	-	(228)	-	-	-	12	-	12
Deconsolidation of consolidated partnership	-	-	-	-	-	-	-	-	-	-	2,750	2,750
Investment in consolidated partnership equity by non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,960	1,960
Balance as at 30 June 2023	<u>73,162</u>	<u>430,889</u>	<u>(115,018)</u>	<u>4,362</u>	<u>(11,188)</u>	<u>11,384</u>	<u>(2,324)</u>	<u>-</u>	<u>228,162</u>	<u>619,429</u>	<u>500,206</u>	<u>1,119,635</u>

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 April 2022	73,150	430,661	(65,811)	4,362	(2,659)	5,742	(5,125)	(234)	268,721	708,807	528,615	1,237,422
Total comprehensive profit (loss)	-	-	-	-	-	-	1,571	234	20,007	21,812	(7,941)	13,871
Cost of share-based payments	-	-	-	-	-	1,164	-	-	-	1,164	-	1,164
Transaction with holders of non-controlling interests	-	-	-	-	(4,318)	-	-	-	-	(4,318)	4,318	-
Buyback of Company shares	-	-	(34,682)	-	-	-	-	-	-	(34,682)	-	(34,682)
Balance as at 30 June 2022	<u>73,150</u>	<u>430,661</u>	<u>(100,493)</u>	<u>4,362</u>	<u>(6,977)</u>	<u>6,906</u>	<u>(3,554)</u>	<u>-</u>	<u>288,728</u>	<u>692,783</u>	<u>524,992</u>	<u>1,217,775</u>

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 six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
NIS Thousands					
<u>Cash Flows from Current Operations</u>					
Net profit (loss)	(114,693)	53,508	(62,026)	11,628	43,630
Adjustments required for presentation of cash flows from current operations:					
Adjustments to profit and loss items:					
Depreciation and amortisation	173,022	136,889	88,212	68,235	295,790
Impairment (improvement) of investment property	(134)	(30,779)	(75)	174	(30,505)
Impairment of investment property under construction	842	2,887	421	2,887	2,506
Cost of share-based payments	3,265	2,315	1,274	1,164	6,937
Capital loss (gain) from disposal of property, plant, and equipment	(2,303)	1,401	(251)	1,401	5,142
Capital gain from sale of consolidated partnership credit portfolio	(34,242)	-	(34,242)	-	-
Capital gain from decrease in control of previously consolidated partnership	(4,337)	-	(4,337)	-	-
Company's share in corporate losses accounted for at equity, net	659	-	341	-	140
Deferred taxes, net	(785)	4,769	(910)	(1,561)	6,105
Change in employee benefit liabilities, net	(29)	(322)	(68)	(201)	(2,007)
Provision for impairment of property, plant, and equipment and right-of-use assets	-	-	-	-	37,807
Other adjustments	10,486	(327)	8,844	(233)	(5,771)
	<u>146,444</u>	<u>116,833</u>	<u>59,209</u>	<u>71,866</u>	<u>316,144</u>
Changes in assets and liabilities items:					
Decrease (increase) in trade receivables (including long-term receivables)	25,662	83,805	73,513	86,870	(33,996)
Decrease (increase) in other receivables	(27,430)	(20,506)	10,022	(32,992)	(40,365)
Decrease (increase) in inventory	(307,322)	(118,812)	(126,892)	(10,966)	74,195
Increase (decrease) in trade payables	237,315	68,644	39,043	(32,004)	(16,107)
Decrease in other payables	(63,638)	(20,916)	(24,994)	(14,541)	(14,208)
	<u>(135,413)</u>	<u>(7,785)</u>	<u>(29,308)</u>	<u>(3,633)</u>	<u>(30,481)</u>
Net cash from (used for) current operations	<u>(103,662)</u>	<u>162,556</u>	<u>(32,125)</u>	<u>79,861</u>	<u>329,293</u>

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

## Consolidated Statements of Cash Flows

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
<u>Cash flows from investment operations</u>					
Acquisition of property, plant, and equipment and intangible assets	(250,689)	(75,308)	(158,848)	(48,840)	(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	(1,001)	(449)	(379)	(216)	(693)
Deferred proceeds from disposal of investment in previously consolidated company	-	2,421	-	2,421	4,791
Proceeds from disposal of property, plant, and equipment	2,679	198	627	198	746
Repayment of previously consolidated company loans	-	-	-	-	3,528
Acquisition of investment property under construction	-	(44,583)	-	(17,935)	(31,685)
Proceeds from sale of consolidated partnership credit portfolio	35,450	-	35,450	-	-
Investment in short-term deposits, net	(123,725)	-	(8,663)	-	-
Proceeds from redemption and sale of marketable securities	416	851	-	-	3,438
Other investments, net	208	179	83	3,111	(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)
Proceeds from disposal of investment in previously consolidated partnership (B)	(714)	-	(714)	-	-
Net cash used in investment activities	(337,376)	(116,691)	(132,444)	(61,261)	(281,653)

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

## Consolidated Statements of Cash Flows

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
<u>Cash used in discontinued operations</u>	-	-	-	-	(87,500)
<u>Cash flows from financing activity</u>					
Issue of share capital	12	-	12	-	-
Dividends paid to Company shareholders	(35,000)	(30,000)	(35,000)	(30,000)	(60,000)
Dividends paid to holders of non-controlling interests	-	(2,499)	-	(1,899)	(2,499)
Issuance of bonds less cost of issuance	-	247,087	-	-	409,784
Receipt of long-term loans from banks and others	154,000	206,340	-	206,340	190,000
Repayment of long-term loans from banks and others	(16,095)	(192,619)	(14,781)	(625)	(205,025)
Buyback of Company shares	(3,826)	(34,682)	-	(34,682)	(45,381)
Investment in consolidated partnership equity by non-controlling interests	1,960	-	1,960	-	-
Issuance of equity in consolidated company to holders of non-controlling interests	41,564	-	-	-	17,486
Payment of leasing liabilities	(106,471)	(92,584)	(52,774)	(44,178)	(189,628)
Short-term bank credit, net	124,621	(1,483)	105,988	(86,125)	144,181
Net cash from financing operations	160,765	99,560	5,405	8,831	258,918
<u>Increase (decrease) in cash and cash equivalents</u>	(280,273)	145,425	(159,164)	27,431	219,058
<u>Balance of cash and cash equivalents at beginning of period</u>	563,490	344,432	442,381	462,426	344,432
<u>Balance of cash and cash equivalents at end of period</u>	283,217	489,857	283,217	489,857	563,490

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

## Consolidated Statements of Cash Flows

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	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>Proceeds from disposal of investment in previously consolidated partnership</u>					
Working capital (other than cash and cash equivalents)	2,065	-	2,065	-	-
Property, plant, and equipment	442	-	442	-	-
Goodwill	9,875	-	9,875	-	-
Other long-term liabilities	(6,800)	-	(6,800)	-	-
Investments in the Company accounted for at equity	(13,383)	-	(13,383)	-	-
Non-controlling interests	2,750	-	2,750	-	-
Capital gain from decrease in control of previously consolidated partnership	4,337	-	4,337	-	-
	(714)	-	(714)	-	-

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

## Consolidated Statements of Cash Flows

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
(C) <u>Significant non-cash activities</u>					
Acquisition of property, plant, and equipment using credit	<u>119,192</u>	<u>26,830</u>	<u>119,192</u>	<u>26,830</u>	<u>62,373</u>
Increase in right-of-use asset against leasing liabilities	<u>134,396</u>	<u>162,298</u>	<u>56,139</u>	<u>62,003</u>	<u>373,729</u>
(D) <u>Additional information on cash flows</u>					
Cash paid over the course of the period for:					
Interest	<u>85,994</u>	<u>56,132</u>	<u>47,220</u>	<u>28,138</u>	<u>125,915</u>
Taxes on income	<u>36,256</u>	<u>41,386</u>	<u>7,724</u>	<u>25,635</u>	<u>68,381 *)</u>
Taxes paid on the sale of discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,500 *)</u>
Cash received over the course of the period for:					
Interest	<u>8,000</u>	<u>699</u>	<u>4,190</u>	<u>68</u>	<u>3,091</u>
Taxes on income	<u>12,861</u>	<u>7,431</u>	<u>4,919</u>	<u>1,272</u>	<u>10,139</u>

\*) Reclassified.

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

