Financial Statements as of 30 September 2023

Electra Consumer Products (1970) Ltd

ELECTRA CP

Legal Disclaimer

The attached is a convenience translation of the Board of Directors report on the state of the corporation's affairs, the consolidated statement of financial position, the consolidated statements of profit and loss ("P&L"), the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows as of 30 September 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

Electra Numbers

4.9₪B
Revenues

285₪M
EBITDA

307
Branches

1.05₪B
Company Equity

7.1₪B
Total Company Balance Sheet

6.9K
Number of Employees

ilAA –
S&P Rating

1.1B
Financial debt
(net of IFRS 16)

Electrical Retail Segment

79
Number of Branches

2 Branches
57 Branches
20 Branches

46K sq. m.
Commercial Space

6.6%
Percent Change in Same Stores quarterly

Retail Food Segment

159
Number of Branches

42 Branches
9 Branches
36 Branches
72 Branches

174K sq. m.
Commercial Space

22.6%
Percent Change in Same Stores during the reporting period
(including stores converted to Carrefour)

Sports and Leisure Segment

69
Number of Branches

13 Branches
16 Branches
23 Branches
17 Branches

18K sq. m.
Commercial Space

(1%)
Percent Change in Same Stores quarterly
(net of ADIDAS stores)

Electra Consumer Products (1970) Ltd.

Board of Directors Report

For the Nine Months Ended at 30 September 2023

The board of directors of Electra Consumer Products (1970) Ltd. respectfully submits the Board of Directors Report on the business affairs of the Company and its consolidated companies (hereinafter: the "**Group**") for the nine-month and three-month periods ended at 30 September 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 retail segment – operation of retail chains for the sale of electrical consumer products and cellular telephones and accessories through "Mahsanei Hashmal," "Shekem Electric," and "Shekem Duty."

Retail food segment – operation of the Global Retail C.I. Ltd. chain (formerly, Bitan Wines Ltd.) (the “second-tier subsidiary” or “Global”), 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 – operation of chains for the marketing, import, manufacture, and distribution of equipment and clothing and footwear for travellers, camping, skiing, and snowboarding, outdoor sports, as well as the operation of a franchise chain under the Adidas brand (hereinafter: “Adidas”).

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 came to NIS 4,893 million and NIS 1,842 million during the reporting period and in the third quarter of 2023, an increase of 5% and 9.3%, respectively, compared to the parallel period of the previous year.

Operating income before other income, net, came to NIS 56 million during the third quarter of 2023, and the Company's operating income before other expenses, net, and reorganisation expenses amounted to NIS 63 million during the parallel period of the previous year.

After neutralisation of the food segment, operating income before other income, net, for the Company came to NIS 56 million during the third quarter of 2023, compared to operating income of NIS 51 million during the parallel period of the previous year. (See Section 1.2.3 to this Board of Directors Report.)

Net income for the majority shareholders amounted to NIS 10 million in the third quarter of 2023, as compared with NIS 20 million in the parallel period of the previous year.

After neutralisation of the food segment, net income for the majority shareholders amounted to NIS 29 million in the third quarter of 2023, as compared with NIS 51 million in the parallel period of the previous year. (See Section 1.2.3 to this Board of Directors Report for an analysis of the Company's results net of the food segment.)

Electrical consumer products segment:

Segmental income during the third quarter of 2023 came to NIS 365 million, compared to income of NIS 400 million in the parallel quarter of the previous year, and reflects a decrease of 8.6%.

Segmental income came to NIS 25 million during the third quarter of 2023, compared to segmental income of NIS 29 million in the parallel period of the previous year.

The Company preserved identical air conditioning and climate control systems store sales in the third quarter of 2023 compared to the parallel period of the previous year. With that, the decrease in segmental sales in the third quarter of 2023 derived from a decrease in sales in brand commerce of NIS 14 million as a result of a downturn in the electrical market in the third quarter of 2023, a delay in heating systems for export that resulted in a decrease of NIS 10 million, as well as an exit from solar power operations and its merger into Rav Bariach operations, which resulted in a decrease of NIS 13 million. (See Note 4B to the interim consolidated financial statements as at 30 September 2023; hereinafter: the "**Interim Consolidated Financial Statements**.")

With respect to the effects of the "Iron Swords" war on segment results for electrical consumer products during the fourth quarter of the year, see Section 1.2.2 below.

Electrical retail segment:

The segmental revenues during the reporting period and in the third quarter of 2023 came to NIS 1,517 million and NIS 573 million, an increase of 6% and 5.6%, respectively, compared to the parallel periods of the previous year. The electrical retail segment sales in same store that operated fully in the reporting period and in the third quarter of this year **increased by 4.3% and 6.6%, respectively, compared to the parallel periods of the previous year**.

Segmental income came to NIS 32 million during the third quarter of 2023, compared to segmental income of NIS 26 million in the parallel period 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 increase of its market share and as a result, an increase of its revenues and segmental income.

With respect to the effects of the “Iron Swords” war on segment results for the electrical retail segment during the fourth quarter of the year, see Section 1.2.2 below.

<u>Retail food products segment:</u>

The segmental revenues during the reporting period and in the third quarter of 2023 came to NIS 2,301 million and NIS 865 million, which reflect an **increase of 7.6% and 17.2%, respectively, compared to the parallel periods of the previous year**, respectively. The sales in the same stores in the segment that fully operated in the reporting period (including stores that have been converted to Carrefour) **increased in comparison to the parallel period of the previous year by approximately 22.6%.**

Sales at stores that have been converted to Carrefour and were fully operational during the third quarter of 2023 increased during this quarter by a rate of 47.1% compared to these stores’ revenues in the parallel period in the previous year. Annual average sales per square metre amounted to NIS 28,680 during the third quarter of 2023 (including stores that have been converted to Carrefour), as compared with an annual average of NIS 23,760 per square metre in the parallel period of the previous year.

Sales per square metre in Carrefour stores alone during May-September 2023 and during the third quarter of 2023 came to an annual average of NIS 39,473 per square metre and an annual average of NIS 38,988 per square metre, respectively, an increase of 45% and 44.8% compared to the parallel periods of the previous year, respectively, prior to conversion of these stores.

Segmental loss came to the sum of NIS 7 million during the third quarter of 2023, compared to segmental loss in the sum of NIS 51 million in the parallel period of the previous year. The segmental loss in the third quarter of 2023 was adversely affected by the 7-Eleven chain, which is in the process of being established, and contributed a loss of NIS 8.8 million to the segmental loss, which included other expenses of NIS 4 million that derived from honing the operating model for the chain’s stores and as a result, the closure of stores that did not conform to the operating model. **After two quarters, Global went back to presenting positive EBITDA after neutralisation of IFRS 16 in the sum of NIS 8 million and expects to close the fourth quarter with a positive EBITDA after neutralisation of IFRS 16 in the sum of NIS 40 million**.

The Company is currently continuing the conversion of additional stores to Carrefour (as of now, there are 72 stores that were converted, and by the end of the year, an additional three more are expected) and is working on increasing profitability and streamlining at all levels. Similarly, the Company restored all of its online operations and is working on 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 and Note 4A(7)(b) to the interim consolidated financial statements with respect to an expansive streamlining plan.)

The Company's forecasts and analyses as set forth above in connection with expected positive EBITDA after neutralisation of IFRS 16 in the retail food segment are forward-facing information, as defined in the Securities Law of1968 (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 and business forecasts of Company management. 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.

With respect to the effects of the "Iron Swords" war on segment results for the retail food segment during the fourth quarter of the year, see Section 1.2.2 below.

<u>Sports and leisure segment:</u>

The segmental revenues during the reporting period and in the third quarter of 2023 came to NIS 178 million and NIS 59 million, an increase of 41.1% and 52.5%, respectively, compared to the parallel periods of the previous year, respectively.

The sales in the same stores in this segment that operated fully in the third quarter of 2023 decreased by approximately 1% as compared to the parallel period of the previous year.

The proforma sales in the Adidas same stores in the third quarter of 2023 increased by approximately 24% as compared to the parallel period of the previous year.

Segmental loss came to NIS 1.9 million during the third quarter of 2023, compared to segmental loss of NIS 1.6 million in the parallel period 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.

With respect to the effects of the "Iron Swords" war on segment results for sports and leisure during the fourth quarter of the year, see Section 1.2.2 below.

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

1.2.2 The "Iron Swords" War

After the balance sheet date, on 7 October 2023, the "Irons Swords" war broke out (hereinafter: the "War"), following a surprise terror attack by Hamas on the State of Israel from the Gaza Strip. Fighting later developed on the northern border as well.

The prolongation of the war led to a slowdown in business activities in the Israeli market, inter alia, because of the closing of factories in the south and north of Israel, damage to infrastructures, the calling up of reservists for an unknown period of time, and a reduction in educational activities, leading to disruptions in Israel's economic activities. The prolongation of the poor is likely to have extensive consequences for many industries and various geographical areas around the country.

The potential changes in product prices, foreign currency exchange rates, availability of materials, availability of staffing, local services, and access to local resources are likely to impact entities whose primary operations are in Israel.

Since the start of the war, two international credit rating companies (Fitch and Moody's) placed Israel under review, and S&P reduced Israel's credit rating forecast from "stable" to "negative" while noting that the change in the rating forecast primarily reflected the significant increase in geopolitical and security risks with which the State of Israel was dealing as a result of the war.

The Group has a variety of fields of activity, some of which are positively affected by the war and some of which are likely to be adversely affected by the war, as set forth below. Therefore, the Group does not anticipate harm to its sales turnover to the extent that the effects of the war do not worsen.

As of the date of the approval of the financial statements, the effects of the war on the operations of the Group's companies in the various segments are as set forth below:

A. The electrical consumer products segment – the brand commerce sector and the climate control systems sector, including heating systems for export - have seen a decrease of 25% during the months of October and November thus far from the cessation of real estate projects and a material slowdown in these markets as a result of the fighting. With that, these sectors have resumed regular operation as of the end of the second week of the war. The Company expects that these sectors' operations will significantly increase with the end of combat operations and the full resumption of the real estate market.

B. The electrical retail segment – despite the war and contrary to electrical retail market trends, there have been increases in sales turnover in Mahsanei Hashmal and Shekem Electric stores despite a decrease in sales turnover in these stores during the first days of the war as a result of their closure. The duty free stores' operations have seen a significant downturn as a result of a significant decrease in the number of outgoing flights from Israel and accordingly, a decrease in the number of travellers compared to the parallel period of the previous year. Despite the reduction in sales turnover in the duty free stores, the Company does not expect significant harm to these stores' income due to a significant reduction in rental fees to the Israel Airports Authority, because of the cumulative impact on the rental rate due as a result on the decrease in the annual number of travellers.

C. The retail food segment – since the start of the war, demand has significantly increased at Global stores, and as a result, the Group's sales turnover has increased by 30% in October and November thus far compared to the previous year. Carrefour stores during this same period of time have seen a significant increase in sales turnover of 64%, also in light of the conversion of these stores.

D. The sports and leisure segment – inter alia, because of Sa'ar's operations in the retail and wholesale sectors in the sale of equipment, clothing, and footwear to the military and security forces, products whose sales are directly affected by the war, there was a significant increase in demand for such equipment. Accordingly, the sales turnover in Sa'ar's stores (Columbia, Outsiders, and Shvilim) as well as its wholesale operations in October increased by 83% and cumulatively for October and November up until now, by 43%. Conversely, October and November, thus far, have seen a decrease of 30% in Adidas same store sales, but in recent days, there has been a trend toward a return to identical levels of demand as last year.

The Group is currently preparing to file claims for a business continuity grant and a border community grant as a result of the effects of the Iron Swords war.

At this stage, there is significant uncertainty regarding how the war will develop, its scope, and the period of time in which it will continue, as well as the scope of its impact, and thus, at this time, the Group is unable to assess the extent of the full effect of the war on the Group's continued operations, business, and results. The Group is striving to minimise the effect of the war on its operations, inter alia, by adjusting expenses by furloughing employees or placing them on leave but should there be adverse developments relating to the war, they may affect the Group's operations.

The Company's forecasts and analyses as set forth above in connection with the effects of the Iron Swords war on the Group's operations, business, and results, including the effect on its operational turnover and profitability in its various fields of activity, as well as the expectation of receiving a business continuity grant and a border community grant are forward-facing information, as defined in 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, business plan, and business forecasts of Company management. 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.

1.2.3 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 49 million during the reporting period.

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

	Consolidated		Consolidated without the retail food segment	
	For the nine months ended at 30 September			
	NIS Thousands			
	2023	2022	2023	2022
Sales	4,893,258	4,658,583	2,592,012	2,520,500
Operating income after other income, net, and reorganisation expenses	38,699	142,501	131,894	183,449
EBITDA	284,568	382,307	219,591	224,850
Income (loss) before tax	(123,024)	52,225	79,138	160,226*)
Net income (loss)	(130,634)	32,767	65,547	138,465*)
Net income (loss) attributed to Company shareholders	(22,014)	87,086	65,095	130,668*)

	Consolidated		Consolidated without the retail food segment	
	For the three months ended at 30 September			
	NIS Thousands			
	2023	2022	2023	2022
Sales	1,841,762	1,684,645	977,230	946,776
Operating income after other income, net, and reorganisation expenses	47,641	(341)	55,097	50,266
EBITDA	151,550	135,825	87,031	77,146
Income (loss) before tax	(6,478)	(27,078)	37,693	47,752*)
Net income (loss)	(15,941)	(20,741)	28,248	53,920*)
Net income (loss) attributed to Company shareholders	9,868	20,475	28,927	51,390*)

*) Reclassified.

	Retail food segment		Retail food segment	
	For the nine months ended at 30 September		For the three months ended at 30 September	
	NIS Thousands		NIS Thousands	
	2023	2022	2023	2022
Sales	2,301,246	2,138,083	864,532	737,869
Operating loss after other income, net, and reorganisation expenses	(93,195)	(40,948)	(7,456)	(50,607)
EBITDA	64,977	157,457	64,519	58,679
Loss before tax	(202,162)	(108,001)*)	(44,171)	(74,830)*)
Net loss	(196,181)	(105,698)*)	(44,189)	(74,661)*)
Net loss attributed to Company shareholders	(87,109)	(43,582)*)	(19,059)	(30,915)*)

*) Reclassified.

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 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 Group's other brand names. As of the execution date of these financial statements, 72 additional stores of the second-tier subsidiary have been converted to the Carrefour brand, and it is working to convert three more stores by the end of 2023.

As of the launch of Carrefour branches on 9 May 2023 and up to 30 September 2023, sales turnover growth in the launched Carrefour branches **increased by 60%.** The growth rate of the sales turnover in Carrefour stores has recently stabilised and stands at 62.2%. In addition, Carrefour brands represented 6.4% of the grocery trolley in the branches that were launched. **Annual average sales per square metre in Carrefour stores during May-September 2023 came to NIS 39,473,, an increase of 45% 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 Ltd. changed its name to Global Retail C.I. Ltd., and accordingly, the names of the other Group companies were changed.

The Company's analyses as set forth above in connection with the conversion of additional Carrefour stores are forward-facing information, as defined in the Securities Law, which is based, inter alia, on information possessed by the Company as of the reporting date and on the reasonable assessments, business plan, and budget of Company management. 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.

1.3.1.2 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 "quietly" 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 Club 365's transfer of a credit portfolio 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.) It recorded a capital gain of NIS 34 million, which was recorded in other income. See Section 3.2.7 to this Board of Directors Report for additional details.

See Note 4A(2) to the interim consolidated financial statements for additional details in connection with the Electra customer loyalty club partnership.

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.

In August 2023, a binding memorandum of understanding was executed between the partners, whereby the second-tier subsidiary acquired Quik's holdings in the partnership (49%) such that as of 7 September 2023, the second-tier subsidiary would 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 partnership's revenues, will be paid over the course of five years (including an advance of NIS 3 million to be paid in January 2024), and the balance will be paid at the end of five years. The consideration bears interest.

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 Update on the Company's holding of Global shares

On 27 September 2023, the Company notified the Bitan Family that pursuant to the terms of the Company's call option agreement for the purchase of all of Global's shares, held by the Bitan Family, which was in effect until 30 September 2023, and taking note of the commercial terms of said option, it would not exercise the option under its current terms.

1.3.1.5 Global Retail Ltd.'s financial position

In August 2023, the Company updated the financial criteria required of it as at 31 December 2023 such that the adjusted EBITDA datum (as set forth in Note 4A(7)(c) to the interim consolidated financial statements) as at that date would only be calculated according to the results for the second half of 2023 due to the impact of the results of the first half of 2023), in its entirety.

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

Similarly, and concurrently, 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. The Company is also working to close and/or sell losing stores. To the extent that after (or before) 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 that 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 second-tier subsidiary's interim consolidated financial statements according to the amounts estimated by the second-tier subsidiary and in a limited amount.

See Note 4A(7)(b) to the interim consolidated financial statements for details regarding the conclusion of the second-tier subsidiary's CEO's tenure and the implementation of a broad streamlining plan.

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 the 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 would 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 would operate 46 branches in Israel.

The conclusion of the above transaction was conditioned, inter alia, on obtaining approval from the Director General of the Israel Competition Authority, which was given on 8 August 2023; obtaining the required approvals from third parties, which were received by the start of October 2023; and the conversion of all 28 additional stores as noted above. As of the date of the approval of the financial statements, the transaction has not yet been concluded.

On 19 September 2023, a notice of exercise was executed, pursuant to which the subsidiary, Electra Retail Ltd. (the "**subsidiary**"), which is held wholly owned by the Company, would purchase from its subsidiary, Sa'ar A.T. Enterprises & Trading (the "**second-tier subsidiary**"), in which the subsidiary holds an ownership interest of 50.01%, its shares in E.L. Sport (2017) Ltd., in which the second-tier subsidiary has a 100% ownership interest and that operates franchise stores under the Adidas brand name in Israel in exchange for the cost of the second-tier subsidiary's investment in E.L. Sport (2017) Ltd. such that after said transaction, the subsidiary would directly hold 100% of the shares in E.L. Sport (2017) Ltd. On 16 October 2023, the shares were transferred, and the transaction was completed.

See Note 4I to the interim consolidated financial statements for additional details agreed to in the amended franchise agreement, including regarding its term.

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 (ilAA-), and it determined that the rating forecast was stable.

Similarly, Standard & Poor's Maalot confirmed a rating of ilAA- 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 September 30		As at 31 December
	2023	2022	2022
	NIS Thousands		NIS Thousands
Current assets	2,235,713	2,160,494	2,189,770
Non-current assets	4,827,237	4,416,828	4,506,700
Total assets	**7,062,950**	**6,577,322**	**6,696,470**
Current liabilities	3,116,430	2,602,858	2,657,788
Non-current liabilities	2,899,217	2,782,781	2,814,874
Total equity	1,047,303	1,191,683	1,223,808
Total liabilities and equity	**7,062,950**	**6,577,322**	**6,696,470**

Assets

2.1 The total current assets amounted to approximately NIS 2,236 million as at 30.09.2023, 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 winter season in the sports and leisure segment, from stocking up on inventory following the increase in Carrefour operations, and from an increase in trade receivables that were partially offset by receivables and debit balances and cash and cash equivalents and short-term deposits.

2.2 The total non-current assets amounted to approximately NIS 4,827 million as at 30.09.2023, 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.

Liabilities

2.3 The total current liabilities amounted to approximately NIS 3,116 million as at 30.09.2023, 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 and the renovation of 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 Global's long-term loans.

2.4 The total non-current liabilities amounted to NIS 2,899 million as at 30.09.2023, 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 Global's taking of new loans during the reporting period in the sum of NIS 148 million in favour of converting the chain's stores to Carrefour - which were partially offset by said current maturities and from an increase in other long-term liabilities that primarily derived from an undertaking to purchase the interests of non-controlling interest holders in the food segment's online partnership. (For additional details, see Section 1.3.1.3 above.)

Shareholder equity

2.5 Shareholder equity amounted to NIS 1,047 million as at 30.9.2023, 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 131 million, from the dividend paid during the reporting period in the sum of NIS 35 million, from transactions with holders of non-controlling interests in the sum of NIS 49 million, and from the buyback of Company shares in the sum of NIS 12 million, and it 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 2,997 million as at 30.09.2023, as compared with financial debt, 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 1,132 million as at 30.09.2023, 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 30.09.2023, compared with 31.12.2022, primarily derived from renovation and conversion of branches and their preparation for the launch of Carrefour, as of 9 May 2023, as well as from a low positive cash flow from current operations, which primarily derived from a decrease in net income last year in the sum of NIS 33 million to a loss in the sum of NIS 131 million during the reporting period. After neutralisation of Global's liabilities, the Company's financial debt, net, after neutralisation of leasing liabilities (IFRS 16), amounted to the sum of NIS 667 million as at 30.09.2023, as compared with a financial debt, net of NIS 394 million as at 31.12.2022. Most of the increase derives from a decrease in cash flows from current operations, from investment in property, plant, and equipment, from payment of a dividend, from the purchase of treasury shares, and from the purchase of the non-controlling interest's share in the second-tier subsidiary.

2.8 Segmental assets and liabilities

	30 September 2023					
	Electrical consumer products segment	Electrical retail segment	Retail food segment	Sports and leisure segment	Investment property, adjustments, and other segment	Total
Current assets	947,394	640,082	512,134	239,176	(103,073)	2,235,713
Non-current assets	300,687	405,529	3,405,678	328,796	386,547	4,827,237
Current liabilities	431,009	992,375	1,604,869	216,528	(128,351)	3,116,430
Non-current liabilities	141,157	186,524	1,834,557	173,199	563,780	2,899,217
Financial debt, net	(87,060)	(196,748)	(1,947,586)	(253,906)	(511,890)	(2,997,190)
Financial debt, net (without IFRS 16)	(70,963)	(14,887)	(465,463)	(68,779)	(511,890)	(1,131,982)

	30 September 2022					
	Electrical consumer products segment	**Electrical retail segment**	**Retail food segment**	**Sports and leisure segment**	**Investment property, adjustments, and other segment**	**Total**
Current assets	1,360,793	546,483	415,183	177,583	(339,548) *)	2,160,494
Non-current assets	218,969	431,291	3,099,667	270,585	396,316 *)	4,416,828
Current liabilities	409,534 *)	882,043	1,209,604	147,786	(46,109) *)	2,602,858
Non-current liabilities	81,256 *)	212,522	1,714,277	132,607	642,119 *)	2,782,781
Financial debt, net	90,635 *)	(129,416)	(1,722,711)	(159,148)	(489,859) *)	(2,410,499)
Financial debt, net (without IFRS 16)	107,702 *)	76,038	(223,582)	(29,705)	(489,859) *)	(559,406)

	30 September 2022					
	Electrical consumer products segment	**Electrical retail segment**	**Retail food segment**	**Sports and leisure segment**	**Investment property, adjustments, and other segment**	**Total**
Current assets	1,203,004	597,847	404,968	175,039	(191,088)	2,189,770
Non-current assets	237,603	591,227	3,164,160	321,637	192,073	4,506,700
Current liabilities	414,735	923,841	1,189,963	147,424	(18,175)	2,657,788
Non-current liabilities	139,133	205,129	1,748,660	169,003	552,949	2,814,874
Financial debt, net	10,594	(205,457) *)	(1,709,464) *)	(219,372)	(374,588)	(2,498,287)
Financial debt, net (without IFRS 16)	26,236	(5,367) *)	(217,028) *)	(39,932)	(374,588)	(610,679)

3. Results of activities

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

	For the three months ended at September 30			
	2023	(**)	2022	(**)
Revenues from sales and provision of services	1,841,762		1,684,645	
Cost of sales and provision of services	1,323,995		1,209,851 *)	
Gross profit	**517,767**	**28.1%**	**474,794**	**28.2%**
Selling and marketing expenses	(431,622)		(380,840) *)	
Administrative and general expenses	(26,464)		(27,922)	
Research and development expenses	(3,307)		(2,495)	
Group's share in corporate losses accounted for at equity, net	(143)		(123)	
Operating income before other expenses, net, and reorganisation expenses	**56,231**	**3.1%**	**63,414**	**3.8%**
Other expenses, net	(8,590)		(11,925)	
Reorganisation expenses	-		(51,830)	
Operating income (loss) after other income, net, and reorganisation expenses	**47,641**	**2.6%**	**(341)**	**0%**
Financing income	1,797		410	
Financing expenses	(55,916)		(27,147)	
Loss before taxes on income	(6,478)	(0.4%)	(27,078)	(1.6%)
Tax benefit (taxes on income)	(9,463)		6,337	
Loss	**(15,941)**	**(0.9%)**	**(20,741)**	**(1.2%)**
Net income attributed to Company shareholders	**9,868**		**20,475**	

(*) Reclassified.
(**) Percentage of turnover.

3.1.1 Revenues

The Group's revenues amounted to NIS 1,842 million in the third quarter of 2023, as compared with NIS 1,685 million in the parallel period of the previous year, **an increase of approximately 9.3%.**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 and the continued conversion of additional stores to Carrefour during the third quarter, whose collective contribution was NIS 148 million, from an increase in sales in the sports and leisure segment primarily due to sales to wholesalers as well as to the consolidation of Adidas as of the fourth quarter of the previous year, and from increased sales in the electrical retail segment, primarily as a result of an increase in same store sales, and it was partially offset by decreased sales in the electrical consumer products segment that derived from a decrease in brand commerce in the sum of NIS 14 million due to a decrease in the electrical market in the third quarter of 2023, from a delay in orders in heating systems for export, which caused a decrease of NIS 10 million, as well as from the exit from solar power operations and their merger with Rav Bariach's operations, which resulted in a decrease of NIS 13 million. (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 amounted to approximately 28.1% of the sales turnover in the third quarter of 2023, as compared with approximately 28.2% in the parallel period of the previous year. The gross profit amounted to NIS 518 million in the third quarter of 2023, as compared with NIS 475 million in the parallel period of the previous year, an increase of 9%. The increase in gross profit primarily derived from an increase in gross profit and its percentage in the electrical retail segment, primarily as a result of an increase in same store sales, from an increase in gross profit in the sports and leisure segment, primarily due to increased sales due to the consolidation of the Adidas brand during the fourth quarter of the previous year, and from an increase in gross profit in the food segment, primarily deriving from the launch of the first 50 Carrefour stores during the course of the second quarter of the year, and it was partially offset by a decrease in gross profit in the electrical consumer products segment. (See Section 4 to this Board of Directors Report below for additional details in connection with the report on business segments.)

3.1.3 Selling and marketing expenses

Selling and marketing expenses amounted to NIS 432 million (23.3% of sales turnover) in the third quarter of 2023, as compared with NIS 381 million (22.6% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from increased sales and marketing expenses in the in the food segment, primarily as a result of increased sales turnover at Carrefour stores. See Note 4A(7)(b) to the interim consolidated financial statements regarding the Company's actions to reduce Global's expenses. (See Section 4 to this Board of Directors Report for additional details in connection with the report on business segments.)

3.1.4 Administrative and general expenses

Management and general expenses amounted to NIS 26 million (approximately 1.4% of sales turnover) in the third quarter of 2023, as compared to NIS 28 million (approximately 1.7% of sales turnover) in the parallel period of the previous year.

3.1.5 Research and development expenses

Research and development expenses amounted to NIS 3.3 million in the third quarter of 2023, as compared with NIS 2.5 million in the parallel period of the previous year. The increase in research and development expenses primarily derives from an increase in expenditures that are directed at developing future products from the climate systems plant (primarily, heating systems for export).

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

Operating income before other income, net amounted to NIS 56.2 million in the third quarter of 2023, as compared with NIS 63.4 million in the parallel period of the previous year, a decrease of 11%.

3.1.7 Other expenses, net

Other expenses, net amounted to NIS 8.6 million in the third quarter of 2023, as compared with NIS 11.9 million in the parallel period of the previous year.

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

	For the three months ended at September 30	
	2023	2022
	NIS Thousands	
Income (loss) from disposal of property, plant, and equipment	(2,684)	(2,460)
Income (loss) from improvement/impairment of investment property	(465)	(274)
Income from settlement with Huawei	-	-
Standards Institute of Israel fine	-	(119)
Transaction costs and consulting and other expenses for years preceding the acquisition of Bitan Wines	(1,249)	(588)
Revenues (expenses) from lawsuits	462	(3,634)
Expenses for setting up the support system for establishment of the Carrefour chain prior to its operation	(578)	(2,716)
Other	(4,077)	(2,135)
Total	**(8,590)**	**(11,925)**

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

Operating income amounted to NIS 47.6 in the third quarter of 2023, as compared with a loss in the sum of NIS 0.3 million in the parallel period of the previous year. The increase in operating income after other expenses, net, and reorganisation expenses primarily derived from reorganisation expenses that were accounted for last year in the food segment.

3.1.9 Net financing income (expenses)

Financing expenses, net, amounted to NIS 54 million in the third quarter of 2023, as compared with NIS 27 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 from an increase in the interest rate on loans following an increase in the prime interest rate in the sum of NIS 15 million as of April last year, from an increase in exchange rate differential expenses, net, and from hedging transactions in the sum of NIS 8.5 million in the reporting period, mainly due to a significant increase in the exchange rate of the EUR and the USD, and from an update of the fair value of the call option to purchase the previous controlling shareholder’s share in Global in the sum of NIS 1 million.

3.1.10 Losses before taxes on income

Losses before taxes on income amounted to NIS 6.5 million in the third quarter of 2023, as compared with the sum of NIS 27.1 million in the parallel period of the previous year and primarily derived from a decreased loss before taxes on income in the retail food segment during the third quarter of the year as compared to the previous year and from said increase in financing expenses.

3.1.11 Tax benefit (taxes on income)

Tax expenses amounted to NIS 9.5 million in the third quarter of 2023, as compared with a tax benefit in the sum of NIS 6.3 million in the parallel period of the previous year. The tax revenues during the third quarter of the previous year primarily derived from a tax return in respect of prior years.

3.1.12 Loss

The net loss in the third quarter of 2023 amounted to NIS 15.9 million, as compared with profit in the sum of NIS 20.7 million in the parallel period of the previous year.

3.1.13 Net income attributed to Company shareholders

The income attributed to the Company's shareholders amounted to NIS 9.9 million in the third quarter of 2023, as compared with NIS 20.7 million in the parallel period of the previous year.

3.1.14 EBITDA *)

The EBITDA in the third quarter of 2023 amounted to NIS 152 million, as compared with NIS 136 million in the parallel period of the previous year, **an increase of 11.6**%.

EBITDA, **after neutralisation of the retail food segment**, amounted to NIS 87 million in the third quarter of 2023, as compared with NIS 77 million in the parallel period of the previous year, which reflects **an increase of 12.8%.**

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

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

	For the nine months ended at September 30				For the year ended at December 31	
	2023	(**)	2022	(**)	2022	(**)
Revenues from sales and provision of services	4,893,258		4,658,583		6,242,313	
Cost of sales and provision of services	3,536,612		3,319,897*)		4,416,155*)	
Gross profit	1,356,646	27.7%	1,338,686	28.7%	1,826,158	29.3%
Selling and marketing expenses	(1,245,668)		(1,084,317)*)		(1,476,274)*)	
Administrative and general expenses	(83,670)		(76,787)		(107,176)	
Research and development expenses	(10,279)		(4,452)		(8,115)	
Group's share in corporate losses accounted for at equity, net	(802)		(123)		(140)	
Operating income before other income, net, and reorganisation expenses	16,227	0.3%	173,007	3.7%	234,453	3.8%
Other income, net	22,472		21,324		15,627	
Reorganisation expenses	-		(51,830)		(51,830)	
Operating income after other income, net, and reorganisation expenses	38,699	0.8%	142,501	3.1%	198,250	3.2%
Financing income	8,877		1,451		3,400	
Financing expenses	(170,600)		(91,727)		(129,983)	
Income (loss) before taxes on income	(123,024)	(2.5%)	52,225	1.1%	71,667	1.1%
Taxes on income	(7,610)		(19,458)		(28,037)	
Net income (loss)	(130,634)	(2.7%)	32,767	0.7%	43,630	0.7%
Net income (loss) attributed to Company shareholders	(22,014)		87,086		102,927	

*) Reclassified.
(**) Percentage of turnover.

3.2.1 Revenues

The Group's revenues amounted to NIS 4,893 million in the nine-month period ended at 30 September 2023 (the “**reporting period**”), as compared with NIS 4,659 million in the parallel period of the previous year, an increase of approximately 5.0%. 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 from increased same store sales, from an increase in sales in the food segment, primarily from the conversion to Carrefour in the sum of NIS 164 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

54 million and from revenues from the 7-Eleven chain, whose first stores were launched during the reporting period, in the sum of NIS 13 million, as well as from an increase in sports and leisure segment sales primarily due to increased wholesale sales and to 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, as a result of decreased sales in the solar market as a result of deconsolidation during the reporting period, and as a result of decreased air conditioner and climate control sales, which derived from a decrease in sales in the local market because of the decreased demand that followed the late start of summer primarily during the second quarter, and it was partially offset by increased sales in heating systems for export. (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 in the reporting period came to approximately 27.7% of the sales turnover, as compared with approximately 28.7% in the parallel period of the previous year. The gross profit amounted to NIS 1,357 million in the reporting period, as compared with NIS 1,339 million in the parallel period of the previous year, an increase of 1.3%. The increase in gross profit primarily derived from an increase in gross profit and its percentage in the electrical retail segment, which primarily derived from increased duty free store sales and increased same store sales, and from an increase in gross profit in the sports and leisure segment primarily due to the consolidation of the Adidas brand during the fourth quarter of the previous year, and they were partially offset by a decrease in gross profit and its percentage in the food segment, primarily as a result of the closing of stores for their conversion to Carrefour and due to marketing activity that was undertaken as part of the launch of the Carrefour chain and from a decrease in gross profit and its rate in the electrical retail products segment. (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 1,246 million (approximately 25.4% of sales turnover) during the reporting period, as compared with NIS 1,084 million (approximately 23.3% 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 from increased salary expenses as a result of the increased staffing that was required for the launch of Carrefour, from consolidation of Quik's results, as well as 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 for additional details in connection with the report on business segments.)

3.2.4 Administrative and general expenses

Administrative and general expenses amounted to approximately NIS 84 million (approximately 1.7% of sales turnover) in the reporting period, as compared with approximately NIS 77 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.

3.2.5 Research and development expenses

Research and development expenses amounted to approximately NIS 10 million in the reporting period, as compared with approximately NIS 4 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 3.5 million as a result of the consolidation of Quik's operations.

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

Operating income before other income, net, amounted to NIS 16 million in the reporting period, as compared with income in the sum of NIS 173 million in the parallel period of the previous year, a decrease of approximately 90.6%, which primarily derived from the retail food market.

3.2.7 Other income, net

Other net income amounted to NIS 22 million in the reporting period, as compared with other net income of NIS 21 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 was 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. 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 and was partially offset by expenses from the establishment of a logistical network in support of the establishment of the Carrefour chain prior to its operation, by a loss from the disposal of property, plant, and equipment, and by expenses from a one-time fine.

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

	For the nine months ended at September 30		For the year ended at December 31
	2023	2022	2022
	NIS Thousands		
Income (loss) from disposal of property, plant, and equipment	(381)	3,073	(3,465)
Income (loss) from improvement/impairment of investment property	(1,173)	27,618	27,999
Capital gain from sale of consolidated partnership credit portfolio	34,242	-	-
Income from decrease in control in previously consolidated partnership	4,337	-	-
Income from settlement with Huawei	-	13,508	13,508
Standards Institute of Israel fine	-	(3,419)	(3,419)
Transaction costs and consulting and other expenses for years preceding the acquisition of Global.	(5,507)	(588)	(2,923)
Revenues (expenses) from lawsuits	2,304	788	(6,194)
Expenses for setting up the support system for establishing the Carrefour chain prior to its operation	(7,266)	(4,209)	(7,519)
Other	(4,085)	(9,301)	(2,360)
Total	**22,472**	**21,324**	**15,627**

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

Operating income amounted to NIS 39 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 before other income, net, in the retail food segment in the sum of NIS 113 million during the reporting period, which was partially offset reorganisation expenses in the sum of NIS 52 million in the previous year.

3.2.9 Net financing income (expenses)

Financing expenses, net, amounted to NIS 162 million in the reporting period, as compared with NIS 90 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 41 million as of April last year, from an increase in credit card factoring expenses in the sum of NIS 7 million in the reporting period as a result of an increase in the prime interest rate, from an increase in exchange rate differential expenses, net, and from hedging transactions in the sum of NIS 18 million in the reporting period, mainly due to a significant increase in the exchange rate of the EUR in the reporting period and from an update of the fair value of the call option to purchase the previous controlling shareholder’s share in Global in the sum of NIS 9 million.

3.2.10 Income (losses) before taxes on income

Losses before taxes on income amounted to NIS 123 million in the reporting period, as compared with income before taxes on income of NIS 52 million in the parallel period of the previous year, and primarily derived from the increased loss before taxes on income in the retail food market during the reporting period and the abovementioned increase in financing expenses.

3.2.11 Taxes on income

Tax expenses, net, amounted to NIS 8 million in the reporting period, as compared with NIS 19 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.

3.2.12 Net income (loss)

Net loss during the reporting period amounted to NIS 130.6 million, as compared with net income in the sum of NIS 32.8 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 the abovementioned increase in financing expenses.

3.2.13 Net income (loss) attributed to Company shareholders

Loss attributed to Company shareholders amounted to NIS 22 million in the reporting period, as compared with net income attributed to the Company’s shareholders in the sum of NIS 87.1 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, from an increase in financing expenses as noted above, and from income from the revaluation of investment property net of tax in the previous year.

3.2.14 EBITDA *)

EBITDA in the reporting period amounted to NIS 285 million, as compared with NIS 382 million in the parallel period of the previous year, a decrease of approximately 25.6%. 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 220 million in the reporting period, as compared with NIS 225 million in the parallel period of the previous year, reflecting a decrease of approximately 2.3%.

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

4. Report on business segments

4.1 Revenues (in NIS Thousands)

	For the nine months ended at September 30 In NIS Thousands			For the three months ended at September 30 In NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	1,000,414	1,086,565	(7.9%)	365,279	399,864	(8.6%)
Electrical retail	1,517,186	1,431,957	6.0%	572,538	542,409	5.6%
Retail food	2,301,246	2,138,083	7.6%	864,532	737,869	17.2%
Sports and leisure	178,149	126,265	41.1%	58,936	38,654	52.5%
Investment property	8,792	8,589	2.4%	2,954	2,967	(0.4%)
Adjustments and other	(112,529)	(132,876)	-	(22,477)	(37,118)	-
Total	**4,893,258**	**4,658,583**	**5.0%**	**1,841,762**	**1,684,645**	**9.3%**

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

	For the nine months ended at September 30 In NIS Thousands			For the three months ended at September 30 In NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	78,920	105,395	(25.1%)	25,211	29,468	(14.4%)
Electrical retail	63,895	59,161	8.0%	31,698	26,282	20.6%
Retail food	(112,748)	26,046	(532.9%)	185	12,538	(98.5%)
Sports and leisure	(2,112)	5,143	(141.1%)	(1,866)	(1,582)	18.0%
Investment property	8,736	8,589	1.7%	2,939	2,967	(0.9%)
Adjustments and other	1,523	(2,702)	(156.4%)	5,149	2,536	103.0%
Total segmental income	38,214	201,632	(81.0%)	63,316	72,209	(12.3%)
Other income (expenses), net	22,472	21,324	5.4%	(8,590)	(11,925)	(28.0%)
Reorganisation expenses	-	(51,830)	-	-	(51,830)	-
Unallocated shared expenses	(21,987)	(28,625)	30.2%	(7,085)	(8,795)	24.1%
Operating income (loss)	**38,699**	**142,501**	**(72.8%)**	**47,641**	**(341)**	**-**

4.3 Segmental EBITDA (in NIS Thousands):

	For the nine months ended at September 30 In NIS Thousands			For the three months ended at September 30 In NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	100,838	125,407	(19.6%)	32,494	36,811	(11.7%)
Electrical retail	101,348	97,373	4.1%	44,495	38,500	15.6%
Retail food	64,977	157,457	(58.7%)	64,519	58,679	10.0%
Sports and leisure	28,475	24,091	18.2%	8,816	4,907	79.7%
Investment property	8,736	8,589	1.7%	2,939	2,967	0.9%
Adjustments and other	2,181	(1,985)	-	5,372	2,756	-
Total segmental EBITDA	306,555	410,932	(25.4%)	158,635	144,620	9.7%
Unallocated shared expenses	(21,987)	(28,625)	30.2%	(7,085)	(8,795)	24.1%
EBITDA	**284,568**	**382,307**	**(25.6%)**	**151,550**	**135,825**	**11.6%**

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

	For the nine months ended at September 30 In NIS Thousands			For the three months ended at September 30 In NIS Thousands		
	2023	2022	% change	2023	2022	% change
Electrical consumer products	95,600	120,785	(20.9%)	30,576	35,274	(13.3%)
Electrical retail	69,487	64,408	7.9%	33,658	28,327	18.8%
Retail food	(101,555)	6,363	(1,696%)	7,605	6,551	16.1%
Sports and leisure	1,854	9,172	(79.8%)	(520)	(7)	(7,329%)
Investment property	8,736	8,589	1.7%	2,939	2,967	(0.9%)
Adjustments and other	2,181	(1,985)	-	5,372	2,756	-
Total segmental EBITDA	76,303	207,332	(63.2%)	79,630	75,868	5.0%
Unallocated shared expenses	(23,773)	(30,064)	26.5%	(7,710)	(9,375)	21.6%
EBITDA	**52,530**	**177,268**	**(70.4%)**	**71,920**	**66,493**	**8.2%**

4.5 Explanation of the data that appears in the table

(1) Electrical consumer products

The sales turnover amounted to NIS 1,000 million in the reporting period, as compared with NIS 1,087 million in the parallel period of the previous year, which constitutes a decrease of approximately 7.9%. 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, which was partially offset by an increase in orders of heating systems for export, from a decrease in brand commerce, primarily because of a decrease in the electrical market, 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 79 million in the reporting period, as compared with NIS 105 million in the parallel period of the previous year. The decrease in segmental income primarily derived from the decrease in revenue turnover.

The sales turnover in the third quarter of 2023 amounted to NIS 365 million, as compared with NIS 400 million in the parallel period of the previous year, a decrease of approximately 8.6%.The decrease in revenues primarily derived from a decrease in sales in brand commerce of NIS 14 million, as a result of a downturn in the electrical market in the third quarter of 2023, from a delay in orders for heating systems for export, which resulted in a decrease of NIS 10 million, as well as from an exit from solar power operations and its merger into Rav Bariach operations, which resulted in a decrease of NIS 13 million. Segmental income, after neutralisation of other expenses, net, amounted to NIS 25 million in the third quarter of 2023, as compared with NIS 29 million in the parallel period of the previous year and was primarily due to the decrease in revenue turnover.

(2) Electrical retail

Sales turnover amounted to NIS 1,517 million in the reporting period, as compared with NIS 1,432 million in the parallel period of the previous year, **which constitutes an increase of approximately 6.0%.**

The sales in the same stores in the segment that fully operated in the reporting period increased by approximately 4.3% in comparison to the parallel period of the previous year.

Monthly average sales per square metre in the same stores amounted to NIS 3,407 per square metre, as compared with NIS 3,273 per square metre in the parallel period of the previous year.

Segmental income, after neutralisation of other income, net, increased and amounted to NIS 64 million in the reporting period, as compared with NIS 59 million in the parallel period of the previous year. The increase primarily derived from an increase in same store sales.

Sales turnover amounted to NIS 573 million in the third quarter of 2023, as compared with NIS 542 million in the parallel period of the previous year, which constitutes **an increase of approximately 5.6%**.

The sales in the same stores in the segment that fully operated in the third quarter of 2023 increased by approximately 6.6% in comparison to the parallel period of the previous year.

Monthly average sales per square metre in the same stores amounted to NIS 3,736 per square metre, as compared with NIS 3,687 per square metre in the parallel period of the previous year.

Segmental income, after neutralisation of other income, net, increased and amounted to NIS 32 million in the third quarter of 2023, as compared with NIS 26 million in the parallel period of the previous year. The increase primarily derived from an increase in same store sales.

(3) Retail food

The sales turnover amounted to NIS 2,301 million in the reporting period, reflecting an increase of 7.6%, as compared with NIS 2,138 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 stores on 9 May 2023, and the subsequent opening of an additional 20 stores by the end of the third quarter of the year. However, immediately after their opening, there was a sharp increase in revenue turnover in the stores that had been converted to Carrefour, with an estimated contribution of NIS 164 million to the sales turnover during that period. Similarly, there was an increase of NIS 54 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 13 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 operated fully in the reporting period (including stores that were converted to Carrefour) increased by approximately 22.6% as compared to the parallel period of the previous year.

Monthly average sales per square metre during the reporting period (including stores that were converted to Carrefour) amounted to NIS 28,716, as compared with NIS 23,052 per square metre in the parallel period of the previous year.

Segmental losses, after neutralisation of other expenses, net, and reorganisation expenses, amounted to NIS 113 million in the reporting period, as compared with income after neutralisation of other income, net, of NIS 26 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 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 49 million during the reporting period.

Sales turnover amounted to NIS 865 million in the third quarter of 2023, reflecting a decrease of 17.2%, as compared with NIS 738 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 stores on 9 May 2023, as aforesaid, which were fully operational during the third quarter of the year, and the subsequent completion of the opening of another 20 stores by the end of the third quarter of the year, with an estimated contribution of NIS 148 million, and was partially offset by decreased revenue turnover, primarily due to the partial operation of stores for their renovation and conversion to Carrefour.

Sales in the same stores in this segment (including stores that were converted to Carrefour) that operated fully in the third quarter of 2023 increased by approximately 21% as compared to the parallel period of the previous year.

Annual average sales per square metre amounted to NIS 28,680 during the third quarter of 2023 (including stores that were converted to Carrefour), as compared with NIS 23,760 per square metre in the parallel period of the previous year.

Sales at stores that were converted to Carrefour and were fully operational in the third quarter increased by a rate of 47.1% compared to the parallel period in the previous year.

Annual average sales per square metre in stores that were converted to Carrefour and were fully operational amounted to NIS 38,988 per square metre during the third quarter, as compared with NIS 26,924 per square metre in the parallel period of the previous year.

Segmental income, after neutralisation of other income, net, amounted to NIS 0.2 million in the third quarter of 2023, as compared with NIS 31 million in the parallel period of the previous year and primarily resulted from decreased profitability due to increased online sales, which are characterised by a lower gross profit percentage than the gross profit percentage of the chain's stores, and from 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.

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 21 million during the reporting period.

See Notes 4A(7)(c) and 4A(7)(b) to the interim consolidated financial statements for additional details regarding the financing agreements, regarding the financial position of the second-tier subsidiary, Global, and regarding the broad streamlining plan that started to be implemented after the date of the statement of financial position.

(4) Sports and leisure

Sales turnover amounted to NIS 178 million in the reporting period, reflecting an increase of 41.1%, as compared with NIS 126 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's activity, which was included in the segment results as of the fourth quarter of 2022, which contributed revenue amounting to NIS 36 million in the reporting period.

Same store sales in this segment, which operated fully in the reporting period decreased by 4% compared with the corresponding period last year primarily due to weak winter operations this year. Nevertheless, **same store sales of Adidas, which**

was consolidated as of the fourth quarter of 2022 as aforesaid, grew at a rate of 15% compared with the corresponding period last year in the proforma statement.

Segmental losses, after neutralisation of other income, net, amounted to NIS 2.1 million in the reporting period, as compared with income after neutralisation of other expenses, net, of NIS 5.1 million in the parallel period of the previous year. The decrease in segmental income primarily derived from said decreased sales in same stores and from the consolidation of Adidas operations, which contributed NIS 2.3 million to the segmental loss.

Sales turnover amounted to NIS 59 million in the third quarter of 2023, reflecting an increase of 52.5%, as compared with NIS 39 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's activity, which was included in the segment results as of the fourth quarter of 2022, which contributed revenue amounting to NIS 31 million in the reporting period.

Sales in the same stores in this segment that operated fully in the third quarter of 2023 decreased by approximately 1% 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 24% compared with the corresponding period last year in the proforma statement**.

Segmental losses in the third quarter of 2023, after neutralisation of other income, net, amounted to NIS 1.9 million, as compared with a segmental loss of NIS 1.6 million in the parallel period of the previous year.

(5) Investment property

Sales turnover amounted to NIS 8.8 million in the reporting period, as compared with NIS 8.6 million in the parallel period of the previous year.

Segmental income amounted to NIS 8.7 million in the reporting period, as compared with NIS 8.6 million in the parallel period of the previous year.

Sales turnover amounted to NIS 3 million in the third quarter of 2023, as compared with NIS 3 million in the parallel period of the previous year.

Segmental income amounted to NIS 2.9 million in the third quarter of 2023, as compared with 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 September 2023 compared with the corresponding period last year and the year ended at 31 December 2022:

Electrical Retail in NIS Thousands		7-9/2023	7-9/2022	31.12.2022
General data				
Number of franchise branches		2	2	2
Number of directly operated stores		79	77	77
Commercial space, gross (sq. m)		45,638	44,345	43,988
Human capital	Stores	744	710	939
	Other	119	114	71
Revenues	Directly operated	572,538	542,409	1,950,372
Cost of sale	Variable costs	436,510	414,030	1,487,957
Rent (according to gross commercial space as set forth above)	After applying IFRS 16(*)	11,772	13,320	39,195
	Without application of IFRS 16	21,972	22,866	80,613
Total salary costs attributed to retail operations employees (including contract worker expenses)		48,143	46,453	166,264
Depreciation expenses after application of IFRS 16		12,797	12,218	51,417
Segmental income		31,598	26,277	81,949
Operational working capital (**)		(250,578)	(248,957)	(270,972)(****)
Redemption and sales data				
Revenues per square metre - monthly average in NIS thousands		3.76	3.72	3.36
Percent change in revenues from same stores (%) (***)		6.6%	6.8%	-6.3%

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

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

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

(****) Reclassified.

Electrical Retail	For the quarter ended at		
	30.9.2023	30.9.2022	31.12.2022
Group growth			
Percent change in commercial/sales floor space	2.9%	4.9%	3.7%
Percent change in same store sales (*)	6.6%	6.8%	-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 September 2023.

Retail Food in NIS Thousands (****)		7-9/2023	7-9/2022	31.12.2022
General data				
Number of directly operated stores		150	151	152
Commercial space, gross (m2)		172,181	174,215	174,385
Commercial space, net (m2)		113,317	114,905	115,010
Human capital	Stores	4,582	4,609	4,193(*****)
	Other	91	77	77
Operations Results				
Revenues	Directly operated	854,467	734,942	2,825,530
	Other income	3,540	2,927	15,708
Cost of sale	Variable costs	602,468	505,241	1,930,947
Rent (according to net commercial space as set forth above)	After applying IFRS 16(*)	3,583	4,124	15,151
	Without application of IFRS 16	57,495	54,084	212,853
Total salary costs attributed to retail operations employees (including contract worker expenses)		142,236	121,677	448,893(*****)
Depreciation expenses after application of IFRS 16		61,744	46,107	187,647
Operating income (loss) (******)		8,999	13,757	46,482
Operational working capital (**)		(553,367)	(473,507)	(384,736)
Redemption and sales data				
Revenues per square metre - monthly average in NIS thousands		2.51	2.13	8.19
Percent change in revenues from same stores (%) (***)		21%	-4.56%	-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 September 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	For the quarter ended at		
	30.9.2023	30.9.2022	31.12.2022
Group growth			
Percent change in commercial/sales floor space	-1.38%	0.45%	-0.63%
Percent change in same store sales (*)	21%	-4.56%	-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 September 2023.

Sports and Leisure in NIS Thousands		7-9/2023	7-9/2022 (*)	31.12.2022(**)
General data				
Number of directly operated stores		69	44	65
Commercial space, gross (sq. m)		17,733	11,204	18,199
Human capital	Stores	433	269	491
	Other	91	72	62
Revenues	Directly operated	43,831	27,561	160,529
	Wholesale	15,105	11,093	53,673
Cost of sale	Variable costs	25,475	16,010	83,695
Rent (according to gross commercial space as set forth above)	After application of IFRS 16 (***)	642	230	1,370
	Without application of IFRS 16	9,678	4,963	22,312
Total salary costs attributed to retail operations employees (including contract worker expenses)		6,938	5,101	19,475
Depreciation expenses after application of IFRS 16		10,682	6,489	28,447
Segmental income (loss)		(1,862)	(1,582)	19,765
Operational working capital (****)		115,039	62,325	95,497
Redemption and sales data				
Revenues per square metre - monthly average in NIS thousands		0.8	0.8	0.72
Change in revenues from same stores (%) (*****)		-1%	12%	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 September 2023.

(******) Reclassified.

Sports and Leisure	For the quarter ended at		
	30.9.2023	30.9.2022 (*)	31.12.2022 (**)
Group growth			
Percent change in commercial/sales floor space	58%	37%	87%
Percent change in same store sales (***)	-1%	12%	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 September 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)

	1-9/2023		1-9/2022		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)	38,699	(8,916)	142,501	96,327	198,250	137,442
Financing expenses, net	(161,723)	(94,549)	(90,276)	(27,618)	(126,583)	(42,139)
Income (loss) before taxes on income	(123,024)	(103,465)	52,225	68,709	71,667	95,303
Taxes on income	(7,610)	(7,610)	(19,458)	(19,458)	(28,037)	(28,037)
Net income (loss) from continuing operations	**(130,634)**	**(111,075)**	**32,767**	**49,251**	**43,630**	**67,266**
Net income (loss) attributed to Company shareholders	(22,014)	(16,413)	87,086	99,484	102,927	122,849
EBITDA	**284,568**	**52,530**	**382,307**	**177,268**	**530,243**	**250,694**

	7-9/2023		7-9/2022	
	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases
Operating income (loss)	47,641	31,172	(341)	(15,239)
Financing expenses, net	(54,119)	(31,341)	(26,737)	(5,503)
Loss before taxes on income	(6,478)	(169)	(27,078)	(20,742)
Tax benefit (taxes on income)	(9,463)	(9,463)	6,337	6,337
Loss from continuing operations	**(15,941)**	**(9,632)**	**(20,741)**	**(14,405)**
Net income attributed to Company shareholders	9,868	18,521	20,475	30,082
EBITDA	**151,550**	**71,920**	**135,825**	**66,493**

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

	For the nine months ended at September 30		For the three months ended at September 30		For the year ended at 31 December
	2023	2022	2023	2022	2022
	In NIS Thousands				
Operating income (loss) as reported	**38,699**	**142,501**	**47,641**	**(341)**	**198,250**
Additional rental expenses resulting from the neutralisation of the effects of the application of IFRS 16	(232,038)	(205,039)	(79,630)	(69,332)	(279,549)
Net of depreciation effects - IFRS 16	185,960	158,865	64,698	54,434	218,741
Net of other income due to contract reductions	(1,537)	-	(1,537)	-	-
Operating income (loss) after neutralisation of IFRS 16 impacts	**(8,916)**	**96,327**	**31,172**	**(15,239)**	**137,442**
Net of effects of financing expenses when applying IFRS 16	67,174	62,658	22,778	21,234	84,444
EBITDA as reported	**284,568**	**382,307**	**151,550**	**135,825**	**530,243**
Inclusion of rent expenses	(232,038)	(205,039)	(79,630)	(69,332)	(279,549)
EBITDA after neutralisation of effects of IFRS 16	**52,530**	**177,268**	**71,920**	**66,493**	**250,694**

7. Distribution of the sources of financing

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

	For the nine months ended at September 30		For the three months ended at September 30		For the year ended at 31 December
	2023	2022	2023	2022	2022
	In NIS Thousands				
Cash flows generated (absorbed) by					
Current operations	4,444	172,262	108,106	9,705	329,293
Investment operations	(452,216)	(231,530)	(114,840)	(114,838)	(281,653)
Cash used in discontinued investment operations	-	-	-	-	(87,500)
Financing	135,918	212,231	(24,847)	112,671	258,918
Total cash increase (decrease)	(311,854)	152,963	(31,581)	7,538	219,058

7.2 Cash flows generated by current operations

Net cash that derived from current operations amounted to NIS 4 million in the reporting period, as compared with NIS 172 million in the previous year. The decrease in cash flows from current operations in the reporting period as compared with the parallel period of the previous year primarily derived from a loss of NIS 131 million during the reporting period compared to net income of NIS 33 million in the previous year.

Net cash that derived from current operations amounted to NIS 108 million during the third quarter of 2023, as compared with NIS 10 million in the previous year. The increased cash flows from current operations in the third quarter of 2023 as compared to the parallel period of the previous year primarily derived from increased EBITDA and an improved working capital structure that included, inter alia, a decrease in the inventory line and the trade payables line, primarily in the electrical consumer products segment, from a decrease in the trade receivables and balances due line in the third quarter of the year, and from a decrease in trade payables.

7.3 Cash flows absorbed by investment activity

Net cash that was used by investment activity amounted to NIS 452 million in the reporting period, as compared with NIS 232 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 99 million and to an increase in investments in fixed assets in the sum of NIS 279 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, 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. During the parallel period of the previous year, investments were made in investment property under construction and development levies for land in the sum of NIS 54 million and in new operations in the sum of NIS 75 million.

Net cash absorbed by investment operations amounted to NIS 115 million in the third quarter of 2023, similar to the amount in the parallel period of the previous year. The increase in the reporting period was due to an increase in investments in property, plant, and equipment in the sum of NIS 104 million in the third 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 redemption of short-term deposits in the sum of NIS 25 million. During the parallel period of the previous year, investments were made in development levies for land in the sum of NIS 9 million and in new operations in the sum of NIS 75 million.

7.4 Cash flows generated by financing activity

The net cash that derived from financing activity amounted to NIS 136 million in the reporting period, as compared with NIS 212 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 204 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 154 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 38 million, from repayment of leasing liabilities in the sum of NIS 161 million, from the acquisition of shares from a non-controlling interest by a consolidated company in the sum of NIS 20 million, and from a buyback of Company shares in the sum of NIS 12 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 231 million, from the issuance of debentures in the sum of NIS 340 million, and from short-term bank credit in the sum of NIS 44 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 settlement of long-term liabilities to banks in the sum of NIS 193 million, from the purchase of treasury shares in the sum of NIS 38 million, and from repayment of leasing liabilities in the sum of NIS 139 million.

Net cash that used for financing activity amounted to NIS 25 in the third quarter of 2023, as compared with net cash that derived from financing activity in the sum of NIS 113 million in the parallel period of the previous year. The net cash that was used in financing activity in the third quarter of 2023 was primarily used for settling long-term liabilities to banks and others in the sum of NIS 21 million, repayment of lease liabilities in the sum of NIS 55 million, and the acquisition of shares from a non-controlling interest by a consolidated company in the sum of NIS 20 million, and was partially offset by the receipt of short-term credit from banks in the sum of NIS 30 million and by a long-term loan from others in the sum of NIS 50 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 25 million, from the issuance of debentures in the sum of NIS 93 million, and from short-term credit from banks in the sum of NIS 45 million, and was partially offset by settlement of lease liabilities in the sum of NIS 47 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 these years, have maintained a range of up to 1%. As of 2021, there has been an increase in inflation rates in Israel and around the world, with the consumer price index in Israel increasing by 2.8%. In 2022, the CPI increased by 5.3%; during the first quarter of 2023, the CPI increased by 1.2%; in the second quarter of 2023, the CPI increased by 1%, and in the third quarter of 2023, the CPI increased by 0.7%. 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 third quarter of 2024 is expected to come to 2.9% and in 2024, to 2.3%. 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 come to 4.25% or to 4% on average during the first, second, and third quarters of 2024. The Company has long-term liabilities to banks and other corporations in the sum of NIS 769 million, which are linked to the prime rate (of which, NIS 517 million is attributed to Global Group), and short-term liabilities to banks in the sum of NIS 304 million, which are linked to the prime rate, for which the Company does not maintain cash balances or deposits. Conversely, the Company maintains short-term variable interest rate deposits. Should there be an increase in bank interest, each 1% increase is expected to increase the Group's net interest expenses by NIS 8 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 for 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 of 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. 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.

11. 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.

12. 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.

13. 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.

14. Disclosure regarding critical accounting estimates

See the Board of Directors Report for 31 December 2022.

15. Report on the liabilities position of the Company and the consolidated companies

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

16. Financial benchmarks

Below is a table that sets forth the various criteria that the Company undertook with respect to bondholders and the calculation of whose results is accurate as at 30 September 2023:

Security	Balance of the par value of the security in circulation (in NIS Thousands)		Financial benchmark	Actual benchmark as at 30.9.2023
	As at 30 September 2023	Immediately prior to reporting date		
(Series A) Bonds/Debentures	428,125	428,125	**Tangible equity** – the Company's "solo" tangible equity at the end of the review period (as defined in the deed) shall not be less than NIS 350 million.	NIS 609 million
			Ratio of net financial debt to net balance sheet – The ratio of the net financial debt to the net balance sheet at the end of the review period (as defined in the deed) shall not exceed 67%.	16.88%

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

17.1 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; [2] 17 August and 20 December 2022, in the framework of private offerings to classified investors[3]
2.	Total par value on the date of issue[2] Total par value on the date that the series was expanded[3]	NIS 250 million par value NIS 100 million par value; NIS 78,125 million par value
3.	Par value balance as at 30 September 2023	NIS 428,125 million par value
4.	Par value balance on the reporting date	NIS 428,125 million par value
5.	The par value balance on the reporting date, revalued according to linkage terms	The series is not linked.
6.	Amount of carried accrued interest as at 30 September 2023	NIS 2,247 million[4]
7.	Market value as at 23 November 2023	NIS 391.5 million
8.	Type of interest	Fixed interest at a rate of 2.1%. Note that the trust deed for the (Series A) bonds dated 2 February 2022 (the “Trust Deed”) establishes a number of adjustment mechanisms for changing the annual interest rate for the (Series A) bonds due to failure to meet minimal tangible equity, due to failure to meet the net financial debt to EBITDA ratio, or due to a change in the (Series A) bond rating. According to the above (cumulative) adjustment mechanisms, the total amount of interest supplements shall not exceed 1.25% (other than in the event of an entitlement to interest on arrears). For details, see Sections 5.21, 5.22, and 5.23 to the Trust Deed.
9.	Dates for payment of principal	The (Series A) bonds are payable in seven (7) unequal annual instalments as follows: four (4) payments at a rate of 12.5% each on 31 December of each of the years 2023 through 2026 (inclusive), two (2) payments at a rate of 15% each on 31 December of each of the years 2027 and 2028 (inclusive), and an additional payment of 20% on 31 December 2029. The first instalment of the principal will be paid on 31 December 2023, and the final instalment of the principal will be paid on 31 December 2029.
10.	Interest payment dates	The interest for the (Series A) bonds will be paid (or was paid, as applicable) in equal amounts semi-annually on 30 June and 31 December in each of the years 2022 through 2029 (inclusive) such that the first interest payment was on 30 June 2022 and the last interest payment will be on 31 December 2029 (together with the final payment of the principal).
11.	Principal and interest linkage basis	The (Series A) bonds are not linked (principal or interest) to any linkage basis.
12.	Are the bonds convertible?	No

Bonds (Series A)[1]		
Disclosure item		Details about the bonds (Series A)
13.	Early repayment or forced conversion of bonds	The Company shall be entitled, at its initiative, to call the (Series A) bonds due for early repayment, all according to the provisions of Section 7.2 to the Trust Deed.
14.	Guarantee for payment of the Company's obligations pursuant to the Trust Deed	None
15.	Fulfilment of the terms and obligations pursuant to the Trust Deed	As of the report date, the Company has been meeting all of its above described financial terms and obligations. Additionally, as of the report date, to the best of the Company's knowledge, the Company has not breached its obligations as established in the (Series A) bonds' Trust Deed, and no conditions have occurred that establish cause for calling the above bonds due for immediate repayment.
16.	Is the Company required by the trustee to perform various actions, including calling meetings of bondholders?	No
17.	Details of guarantees/liens	None
Details about the trustee for the holders of (Series A) bonds		
1.	Trustee name	Mishmeret Trust Company Ltd.
2.	Bond Administrator	Mr. Rami Sabati, CPA
3.	Contact information	48 Menachem Begin Blvd., Tel Aviv, Telephone: 03-6374351, Fax: 03-6374344, email address: RamiS@mtrust.co.il
Details about the (Series A) bond rating		
1.	Name of rating company as of the report date	Standard & 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 report date, pursuant to the provisions of Section 10(B)(13)(a) to the Report Regulations, the Company views the (Series A) bonds as a substantive series.

(2) On 3 February 2022, the Company published a shelf-offering report (reference number: 2022-01-013488), in which the Company made an initial public offering of NIS 250,000,000 par value of the Company's (Series A) bonds.

(3) On 17 August and 20 December 2022, the Company made a private offering to classified investors in the sum of NIS 100,000,000 par value and NIS 78,125,000 par value, respectively, of (Series A) Company bonds by way of expanding a series (reference numbers: 2022-01-084156 and 2022-01-120543, respectively).

(4) The amount of interest accrued as at 26 November 2023 in respect of the (Series A) bonds is NIS 3,640 million.

(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.

17.2 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 September 2023, the Company listed, in its consolidated financial statements, negative working capital (net) (current assets less current liabilities) of NIS 881 million and negative operating capital (net) - which characterises retail operations such as the Company's - of NIS 50 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 73 million and a negative operating capital (net) of NIS 15 million.

Net of the food segment, the Company has positive working capital (net) (current assets less current liabilities) in the sum of NIS 151 million and positive operating working capital (net) in the sum of NIS 513 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.

18. Linkage bases report for 30 September 2023 (in NIS Thousands)

	Dollars	Euro	Total foreign currency	Unlinked	Linked	Non-monetary	Total
Assets							
Cash and cash equivalents	5,554	12,655	18,209	233,427	-	-	251,636
Short-term deposits and investments	-	-	-	103,543	-	-	103,543
Trade receivables	1,669	28,267	29,936	737,321	-	-	767,257
Other receivables	6,485	3,718	10,203	51,585	4,982	26,418	93,188
Inventory	-	-	-	-	-	1,020,089	1,020,089
Long-term trade and other receivables	-	2,015	2,015	6,946	3,133	-	12,094
Investments in the Company accounted for at equity	-	-	-	-	-	12,440	12,440
Investment property	-	-	-	-	-	326,979	326,979
Investment property under construction	-	-	-	-	-	29,301	29,301
Property, plant, and equipment, net	-	-	-	-	-	670,143	670,143
Right-of-use assets, land	-	-	-	-	-	64,267	64,267
Right-of-use assets, other	-	-	-	-	-	1,600,706	1,600,706
Goodwill	-	-	-	-	-	1,948,388	1,948,388
Intangible assets	-	-	-	-	-	138,760	138,760
Deferred taxes	-	-	-	-	-	24,159	24,159
Total assets	13,708	46,655	60,363	1,132,822	8,115	5,861,650	7,062,950
Liabilities							
Credit from banks and others	-	-	-	423,705	-	-	423,705
Current maturities of bonds	-	-	-	49,978	-	-	49,978
Current maturities of leasing liabilities	-	-	-	-	222,028	-	222,028
Trade payables	157,397	110,751	268,148	1,568,729	-	-	1,836,877
Other payables	4	22,335	22,339	304,673	13,153	243,677	583,842
Loans from banks and others	-	-	-	649,706	-	-	649,706
Bonds/Debentures	-	-	-	363,772	-	-	363,772
Leasing liabilities	-	-	-	-	1,643,180	-	1,643,180
Other non-current liabilities	-	10,417	10,417	40,343	-	114,938	165,698
Employee benefit liabilities, net	-	-	-	-	-	32,723	32,723
Deferred taxes	-	-	-	-	-	44,138	44,138
Total liabilities	157,401	143,503	300,904	3,400,906	1,878,361	435,476	6,015,647
Balance of the exposure of assets (liabilities) to results	(143,693)	(96,848)	(240,541)	(2,268,084)	(1,870,246)	5,426,174	1,047,303

Daniel Salkind,
Chairman of the Board of Directors

Zvika Schwimmer,
Chief Executive Officer

Date: 26 November 2023

Electra Consumer Products (1970) Ltd.

Interim Consolidated Financial Statements as at September 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 September 2023 and the summary consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for the nine- and three-month periods ended on that date. The board of directors and management are responsible for the preparation and presentation of the financial information for 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), 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), 1970.

Tel Aviv,
26 November 2023

Kost Forer Gabbay and Kasierer
Accountants

Consolidated Statements of Financial Position

	As at 30 September		As at 31 December
	2023	2022	2022
	Unaudited		Audited
	NIS Thousands		
Current assets			
Cash and cash equivalents	251,636	497,395	563,490
Deposits and short-term investments	103,543	673	671
Trade receivables	767,257	712,007	718,361
Other receivables	93,188	103,638	115,145
Inventory	1,020,089	846,781	792,103
	2,235,713	2,160,494	2,189,770
Non-current assets			
Long-term trade and other receivables	12,094	24,531	20,883
Investments in the Company accounted for at equity	12,440	-	-
Investment property	326,979	326,616	326,616
Investment property under construction	29,301	41,848	29,179
Property, plant, and equipment, net	670,143	250,502	319,802
Right-of-use assets, land	64,267	64,945	64,774
Right-of-use assets, other	1,600,706	1,607,139	1,635,893
Goodwill	1,948,388	1,958,038	1,958,263
Intangible assets	138,760	118,058	129,362
Deferred taxes	24,159	25,151	21,928
	4,827,237	4,416,828	4,506,700
	7,062,950	6,577,322	6,696,470

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

Consolidated Statements of Financial Position

	As at 30 September		As at 31 December
	2023	2022	2022
	Unaudited		Audited
	NIS Thousands		
Current liabilities			
Credit from banks and others	423,705	133,885	219,093
Current maturities of bonds	49,978	-	49,579
Current maturities of leasing liabilities	222,028	199,192	206,804
Trade payables	1,836,877	1,594,906	1,607,276
Other payables	583,842	644,875	575,036
Dividends payable	-	30,000	-
	3,116,430	2,602,858	2,657,788
Non-current liabilities			
Loans from banks and others	649,706	573,077	549,955
Bonds/Debentures	363,772	340,812	361,213
Leasing liabilities	1,643,180	1,651,901	1,680,804
Other liabilities	165,698	138,221	145,958
Employee benefit liabilities, net	32,723	33,605	32,732
Deferred taxes	44,138	45,165	44,212
	2,899,217	2,782,781	2,814,874
Equity			
Equity attributed to Company shareholders	608,516	664,474	671,960
Non-controlling interests	438,787	527,209	551,848
Total equity	1,047,303	1,191,683	1,223,808
	7,062,950	6,577,322	6,696,470

26 November 2023			
Date of approval of the financial statements	Daniel Salkind Chair of the Board of Directors	Zvika Schwimmer Chief Executive Officer	Yehonatan Tsabari Chief Financial Officer

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 nine months ended at 30 September		For the three months ended at 30 September		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
Revenues from sales and provision of services	4,893,258	4,658,583	1,841,762	1,684,645	6,242,313
Cost of sales and provision of services	3,536,612	3,319,897 *)	1,323,995	1,209,851 *)	4,416,155 *)
Gross profit	1,356,646	1,338,686	517,767	474,794	1,826,158
Selling and marketing expenses	(1,245,668)	(1,084,317)*)	(431,622)	(380,840) *)	(1,476,274) *)
Administrative and general expenses	(83,670)	(76,787)	(26,464)	(27,922)	(107,176)
Research and development expenses	(10,279)	(4,452)	(3,307)	(2,495)	(8,115)
Group's share in corporate losses accounted for at equity, net	(802)	(123)	(143)	(123)	(140)
Operating income before other income, net, and reorganisation expenses	16,227	173,007	56,231	63,414	234,453
Other income (expenses), net	22,472	21,324	(8,590)	(11,925)	15,627
Reorganisation expenses	-	(51,830)	-	(51,830)	(51,830)
Operating income (loss) after other income (expenses), net, and reorganisation expenses	38,699	142,501	47,641	(341)	198,250
Financing income	8,877	1,451	1,797	410	3,400
Financing expenses	(170,600)	(91,727)	(55,916)	(27,147)	(129,983)
Profit (loss) before taxes on income	(123,024)	52,225	(6,478)	(27,078)	71,667
Tax benefit (taxes on income)	(7,610)	(19,458)	(9,463)	6,337	(28,037)
Net income (loss)	(130,634)	32,767	(15,941)	(20,741)	43,630
Net profit (loss) attributable to:					
Company shareholders	(22,014)	87,086	9,868	20,475	102,927
Non-controlling interests	(108,620)	(54,319)	(25,809)	(41,216)	(59,297)
	(130,634)	32,767	(15,941)	(20,741)	43,630
Base net income (loss) per share attributed to Company shareholders (in NIS)	(1.02)	3.99	0.46	0.94	4.74
Diluted net income (loss) per share attributed to Company shareholders (in NIS)	(1.02)	3.92	0.45	0.93	4.65
Weighted number of shares used in calculating base net income (loss) per share	21,583,731	21,834,717	21,551,017	21,713,055	21,733,811
Weighted number of shares used in calculating diluted net income (loss) per share	21,583,731	22,242,352	21,890,494	22,109,680	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 nine months ended at 30 September		For the three months ended at 30 September		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
Net profit (loss)	(130,634)	32,767	(15,941)	(20,741)	43,630
Other comprehensive income (loss) (after tax):					
Sums that will not later be reclassified to profit or loss:					
Profit from remeasurement for defined benefit plans	-	2,303	-	294	3,073
Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:					
Profit (loss) with respect to cash flow hedging transactions	(4,881)	7,139	-	6,823	521
Transfer to statement of profit and loss with respect to cash flow hedging transactions	4,676	-	-	-	-
Total other comprehensive profit (loss)	(205)	9,442	-	7,117	3,594
Total comprehensive income (loss)	(130,839)	42,209	(15,941)	(13,624)	47,224
Comprehensive profit (loss) attributed to:					
Company shareholders	(24,089)	95,124	9,868	26,626	108,119
Non-controlling interests	(106,750)	(52,915)	(25,809)	(40,250)	(60,895)
	(130,839)	42,209	(15,941)	(13,624)	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											
	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 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)	(22,014)	(24,089)	(106,750)	(130,839)
Cost of share-based payments	-	-	-	-	-	3,359	-	-	-	3,359	1,061	4,420
Buyback of Company shares	-	-	(12,017)	-	-	-	-	-	-	(12,017)	-	(12,017)
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	-	-	-	-	4,291	-	-	-	-	4,291	(53,646)	(49,355)
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 September 2023	73,162	430,889	(123,209)	4,362	(24,836)	12,442	(2,324)	-	238,030	608,516	438,787	1,047,303

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)	-	-	-	-	-	-	1,951	6,087	87,086	95,124	(52,915)	42,209
Cost of share-based payments	-	-	-	-	-	3,519	-	-	-	3,519	1,108	4,627
Transactions with holders of non-controlling interests	-	-	-	-	(27,227)	-	-	-	-	(27,227)	36,636	9,409
Non-controlling interests created in a partnership consolidated for the first time	-	-	-	-	-	-	-	-	-	-	9,041	9,041
Buyback of Company shares	-	-	(37,912)	-	-	-	-	-	-	(37,912)	-	(37,912)
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends declared	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,499)	(2,499)
Balance as at 30 September 2022	73,150	430,661	(103,723)	4,362	(29,886)	8,110	(3,174)	5,771	279,203	664,474	527,209	1,191,683

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Capital reserve with respect to share-based payments	Capital reserve with respect to remeasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited											
	NIS Thousands											
Balance as at 1 July 2023	73,162	430,889	(115,018)	4,362	(11,188)	11,384	(2,324)	-	228,162	619,429	500,206	1,119,635
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	9,868	9,868	(25,809)	(15,941)
Cost of share-based payments	-	-	-	-	-	1,058	-	-	-	1,058	97	1,155
Buyback of Company shares	-	-	(8,191)	-	-	-	-	-	-	(8,191)	-	(8,191)
Transaction with holders of non-controlling interests	-	-	-	-	(13,648)	-	-	-	-	(13,648)	(35,707)	(49,355)
Balance as at 30 September 2023	73,162	430,889	(123,209)	4,362	(24,836)	12,442	(2,324)	-	238,030	608,516	438,787	1,047,303

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

Consolidated Statements of Changes in Equity

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

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

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											
	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.

Notes to the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended at 30 September		For the three months ended at 30 September		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
Cash Flows from Current Operations					
Net income (loss)	(130,634)	32,767	(15,941)	(20,741)	43,630
Adjustments required for presentation of cash flows from current operations:					
Adjustments to profit and loss items:					
Depreciation and amortisation	268,341	209,300	95,319	72,411	295,790
Impairment (improvement) of investment property	(41)	(30,729)	93	50	(30,505)
Impairment of investment property under construction	1,214	3,111	372	224	2,506
Cost of share-based payments	4,420	4,627	1,155	2,312	6,937
Capital loss (gain) from disposal of property, plant, and equipment	381	5,483	2,684	4,082	5,142
Capital gain from sale of consolidated partnership credit portfolio	(34,242)	-	-	-	-
Capital gain from decrease in control of previously consolidated partnership	(4,337)	-	-	-	-
Company's share in corporate losses accounted for at equity, net	802	123	143	123	140
Deferred taxes, net	(989)	4,512	(204)	(257)	6,105
Change in employee benefit liabilities, net	(9)	(2,131)	20	(1,809)	(2,007)
Provision for impairment of property, plant, and equipment and right-of-use assets	-	37,807 *)	-	37,807 *)	37,807 *)
Other adjustments	8,062	(956) *)	(2,424)	(629) *)	(5,771) *)
	243,602	231,147	97,158	114,314	316,144
Changes in assets and liabilities items:					
Increase in trade receivables (including long-term receivables)	(53,873)	(28,314)	(79,535)	(112,119)	(33,996)
Decrease (increase) in other receivables	10,807	(31,541)	38,237	(11,035)	(40,365)
Decrease (increase) in inventory	(242,464)	16,975	64,858	135,787	74,195
Increase (decrease) in trade payables	201,617	(9,510)	(35,698)	(78,154)	(16,107)
Increase (decrease) in other payables	(24,611)	(39,262)	39,027	(18,347)	(14,208)
	(108,524)	(91,652)	26,889	(83,868)	(30,481)
Net cash from current operations	4,444	172,262	108,106	9,705	329,293

* Reclassified

Notes to the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended at 30 September		For the three months ended at 30 September		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
Cash flows from investment operations					
Acquisition of property, plant, and equipment and intangible assets	(393,236)	(113,946)	(142,547)	(38,638)	(189,073)
Payment of capitalised leasing fees and land development levies	-	(9,118)	-	(9,018)	(9,118)
Capitalisation of costs recognised in investment property and investment property under construction	(1,477)	(499)	(476)	(50)	(693)
Deferred proceeds from disposal of investment in previously consolidated company	-	2,421	-	-	4,791
Proceeds from disposal of property, plant, and equipment	2,691	258	12	60	746
Repayment of previously consolidated company loans	-	3,528	-	-	3,528
Acquisition of investment property under construction	-	(44,959)	-	(376)	(31,685)
Proceeds from sale of consolidated partnership credit portfolio	35,450	-	-	-	-
Redemption of (investment in) short-term deposits, net	(99,022)		24,703		-
Proceeds from redemption and sale of marketable securities	416	3,497	-	2,646	3,438
Other investments, net	(1,324)	(2,625)	(1,532)	625	(8,200)
Cash released from escrow in the acquisition of a subsidiary	5,000	5,000	5,000	5,000	5,000
Net payment for consolidated operations	-	(49,660)	-	(49,660)	(49,660)
Acquisition of companies consolidated for the first time (A)	-	(25,427)	-	(25,427)	(10,727)
Proceeds from disposal of investment in previously consolidated partnership (B)	(714)	-	-	-	-
Net cash used in investment activities	(452,216)	(231,530)	(114,840)	(114,838)	(281,653)

Notes to the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended at 30 September		For the three months ended at 30 September		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
Cash used in discontinued operations	-	-	-	-	(87,500)
Cash flows from financing activity					
Issue of share capital	12	-	-	-	-
Dividends paid to Company shareholders	(35,000)	(30,000)	-	-	(60,000)
Dividends paid to holders of non-controlling interests	-	(2,499)	-	-	(2,499)
Issuance of bonds less cost of issuance	-	340,347	-	93,260	409,784
Receipt of long-term loans from banks and others	204,000	231,040	50,000	24,700	190,000
Repayment of long-term loans from banks and others	(37,590)	(193,244)	(21,495)	(625)	(205,025)
Buyback of Company shares	(12,017)	(37,912)	(8,191)	(3,230)	(45,381)
Investment in consolidated partnership equity by non-controlling interests	1,960	-	-	-	-
Issuance of equity in consolidated company to holders of non-controlling interests	41,564	-	-	-	17,486
Buyback of shares from holder of non-controlling interests by a consolidated company	(20,000)	-	(20,000)	-	-
Payment of leasing liabilities	(161,272)	(139,475)	(54,801)	(46,891)	(189,628)
Short-term credit from banking entities, net	154,261	43,974	29,640	45,457	144,181
Net cash from (used for) financing activity	135,918	212,231	(24,847)	112,671	258,918
Increase (decrease) in cash and cash equivalents	(311,854)	152,963	(31,581)	7,538	219,058
Balance of cash and cash equivalents at beginning of period	563,490	344,432	283,217	489,857	344,432
Balance of cash and cash equivalents at end of the period	251,636	497,395	251,636	497,395	563,490

Notes to the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended at 30 September		For the three months ended at 30 September		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
(A) Acquisition of companies consolidated for the first time					
Consolidated companies' assets and liabilities as at date of acquisition:					
Working capital (other than cash and cash equivalents)	-	6,102	-	6,102	9,768
Property, plant, and equipment	-	(3,354)	-	(3,354)	(3,436)
Right-of-use assets	-	3,298	-	3,298	(1,901)
Intangible assets	-	(18,131)	-	(18,131)	(22,761)
Goodwill	-	(55,182)	-	(55,182)	(55,407)
Deferred tax liabilities, net	-	999	-	999	2,075
Loans from banks and others and bank credit	-	13,065	-	13,065	13,065
Leasing liabilities	-	1,789	-	1,789	1,789
Other non-current liabilities	-	7,537	-	7,537	12,848
Capital reserve from a transaction with non-controlling interests	-	-	-	-	3,786
Non-controlling interests	-	18,450	-	18,450	29,447
	-	(25,427)	-	(25,427)	(10,727)
(B) Proceeds from disposal of investment in previously consolidated partnership					
Working capital (other than cash and cash equivalents)	2,065	-	-	-	-
Property, plant, and equipment	442	-	-	-	-
Goodwill	9,875	-	-	-	-
Other long-term liabilities	(6,800)	-	-	-	-
Investments in the Company accounted for at equity	(13,383)	-	-	-	-
Non-controlling interests	2,750	-	-	-	-
Capital gain from decrease in control of previously consolidated partnership	4,337	-	-	-	-
	(714)	-	-	-	-

Notes to the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the nine months ended at 30 September		For the three months ended at 30 September		For the year ended at 31 December
	2023	2022	2023	2022	2022
	Unaudited				Audited
	NIS Thousands				
(C) Significant non-cash activities					
Acquisition of property, plant, and equipment using credit	81,840	36,830	81,840	36,830	62,373
Dividends payable	-	30,000	-	30,000	-
Short term payables for buyback of shares from non-controlling interests by a consolidated company	30,000	-	30,000	-	-
Receivables from disposal of investment in a consolidated company	-	2,107	-	-	-
Increase in right of use asset against leasing liabilities	154,182	264,872	19,786	102,574	373,729
(D) Additional information on cash flows					
Cash paid over the course of the period for:					
Interest	132,339	86,259	46,345	30,127	125,915
Taxes on income	46,896	61,616	10,640	20,230	68,381 *)
Taxes paid on the sale of discontinued operations	-	-	-	-	87,500 *)
Cash received over the course of the period for:					
Interest	10,235	1,110	2,235	411	3,091
Taxes on income	15,322	7,431	17	-	10,139

*) Reclassified.

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