# Financial Statements as of 31 December 2023

Electra Consumer Products (1970) Ltd

# Electra Consumer Products (1970) Ltd.

## Legal Disclaimer

The attached is a convenience translation of the Board of Directors report on the state of the corporation's affairs, the consolidated statement of financial position, the consolidated statements of profit and loss ("P&L"), the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows as of 31 December 2023 for Electra Consumer Products (1970) Ltd. (the "Company") published by the Company through the MAGNA filing system (the "Hebrew Version"). This English version is partial and for convenience purposes only. This is not an official translation and has no binding effect. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

# Electra Numbers

**₪6.5B**
Revenues

**₪454M**
EBITDA

**₪1B**
Total company equity

**₪878M**
Financial debt (net of IFRS 16)

**7.1K**
Number of employees

**iIAA-**
S&P Rating

**336**
Branches

**7B**
Total company balance sheet

**125k**
Credit card carrefour club holders

**7%**
Percent change in same stores in the reporting period

**60M**
Yearly transactions rate

## Sports and Leisure Segment

**101**
Number of branches

שבילים: 16 branches
Columbia: 24 branches
adidas: 43 branches
BOARDERLINE: 4 branches
RIPCURL: 1 branches
Outsiders: 13 branches

**30K sq.m.**
Commercial space

**(2%)**
Percent change in same stores in the reporting period

## Retail Food Segment

**156**
Number of branches

מחסני השוק בעיר: 31 branches
Carrefour: 85 branches
7-Eleven: 8 branches
יינות ביתן: 32 branches

**172K sq.m.**
Commercial space

**12%**
Percent change in same stores in the reporting period
(including carrefour converted stores)

## Electrical Retail Segment

**79**
Number of branches

DUTY FREE אלקטריק: 2 branches
אלקטריק: 20 branches
מחסני חשמל: 57 branches

**46K sq.m.**
Commercial space

**4.4%**
Percent change in same stores in the reporting period

# Electra Consumer Products (1970) Ltd.

## Board of Directors Report

**The board of directors of Electra Consumer Products (1970) Ltd. respectfully submits its report on the state of the Company's business and that of its consolidated companies (the "Group") for the year ended at 31 December 2023 (below: "reporting period").**

## 1. General

### 1.1 Description of the Group's business

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

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

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

**Retail food segment** - Operation of the Global Retail C.I. Ltd. chain (formerly, Bitan Wines Ltd), (hereinafter: “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 6,505 million and NIS 1,707 million during the reporting period and in the fourth quarter of 2023, an increase of 5.3% and 9.9%, respectively, compared to the parallel periods of the previous year.

The Group's results were clouded by the food segment's results, increased financing costs because of rising interest, and the effects of the "Iron Swords" war on segment results for electrical consumer products during the fourth quarter of the year, despite the growth in the Group's sales.

In 2023, the Company launched the Carrefour chain, converted 77 stores (as of the date of the publication of this report, 85 stores have been converted), and launched a line of Carrefour products, all with a total investment of approximately NIS 500 million. In order to continued carrying out the Company's plans and expand the Carrefour chain's operations and its products, in March 2024, there was an additional fundraising round at Global in the sum of NIS 200 million and, together with the Company's arrangement with two banks, Global's equity was reinforced significantly by NIS 270 million. (See, Note 11B(6) of the annual consolidated financial statements.) As a result of the additional investment in Global, the Company increased its holdings in Global to approximately 48% and recorded a onetime expense from a loss of goodwill in the sum of NIS 67 million, included in other expenses, net.

In 2023, the Company also launched the 7-Eleven chain and opened eight new stores, most of them in Tel Aviv. In the fourth quarter of 2023, in light of the results of those new stores, the Company re-examined these stores' operating model and began taking action to significantly cut back operations in the context of a reorganisation. (See, Note 1D and Note 28G of the annual consolidated financial statements.) As a result of the reorganisation, the Company recorded a onetime expense in the sum of NIS 42 million, which was included in reorganisation expenses.

After neutralisation of results of the food segment, including the above onetime expenses, and despite the effects of the "Iron Swords" war on the electrical consumer products segment results during the fourth quarter of the year, the Company succeeded in maintaining its operating performance and ended 2023 with EBITDA in the sum of NIS 290 million compared to an EBITDA of NIS 304 million in the parallel period in the previous year, and is showing a net income for the majority interests during the reporting period in the sum of NIS 67 million.

The Company expects that as early as the first quarter of 2024, it will transition to net income without neutralising the food segment, in parallel to completion of the execution of all of its plans in connection with the food segment and the other actions it is taking to reinforce the other operating sectors in which it operates and to strengthen its financial position.

Retail food segment:

The segmental revenues during the reporting period and in the fourth quarter of 2023 came to NIS 3,047 million and NIS 840 million, which reflect **an increase of 9.6% and 25%, 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 12%.**

Sales at stores that have been converted to Carrefour and were fully operational during the fourth quarter of 2023 increased during this quarter by a rate of 63.4% compared to these stores' revenues in the parallel period in the previous year. Annual average sales per square metre amounted to NIS 28,969 during the fourth quarter of 2023 (including stores that have been converted to Carrefour), as compared with an annual average of NIS 21,915 per square metre in the parallel period of the previous year.

Average sales per square metre in Carrefour stores during the reporting period and during the fourth quarter of 2023 came to an annual average of NIS 39,479 per square metre and an annual average of NIS 38,156 per square metre, respectively, an increase of 58.3% and 61.8% compared to the parallel periods of the previous year, respectively, prior to conversion of these stores.

Segmental profit before other expenses, net, and reorganisation expenses, amounted to NIS 17.9 million in the fourth quarter of 2023, as compared with segmental profit of NIS 21.2 million in the parallel period of the previous year. The segmental loss during the fourth quarter of 2023 was adversely affected by the 7-Eleven chain, which contributed the sum of NIS 8.5 million to the segmental loss.

Further to the previous quarter, Global is presenting positive EBITDA after neutralisation of IFRS 16 in the sum of NIS 34 million and closed the second half of 2023 with a positive EBITDA after neutralisation of IFRS 16 in the sum of NIS 52 million.

The Company is currently continuing the conversion of additional stores to Carrefour (as of 31 December 2023, 77 stores have been converted and as of the reporting date, 85 stores have been converted), 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 and **as a result, the Company expects segmental sales during the first quarter of 2024 will increase by 30% compared to the parallel period of the previous year**. (See Note 29 to the Company's 2023 consolidated financial statements (the "consolidated annual financial statements") with respect to the classification of the results of the online partnership with Quik as discontinued operations and with respect to the extensive streamlining plan in this area.)

During the reporting period, the Company reevaluated the business model of operating stores under the 7-Eleven brand. As a result, during the course of the fourth quarter of 2023, the Company, alongside considering bringing an investor into these operations, has begun taking steps to significantly cut back these operations in the framework of a reorganisation process. As a result of the reorganisation, the Company recorded a onetime expense in the sum of NIS 42 million during the reporting period. See Note 1D and Note 28G to the annual consolidated financial statements for details regarding the reorganisation.

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.

Electrical retail segment:

The segmental revenues during the reporting period and in the fourth quarter of 2023 came to NIS 2,056 million and NIS 539 million, which reflect an increase of 5.4% and 4%, respectively, compared to the parallel periods of the previous year, respectively.

The electrical retail segment sales in same store that operated fully in the reporting period and in the fourth quarter of this year increased by 4.4% and 4.9%, respectively, compared to the parallel periods of the previous year.

After neutralisation of the duty free shops that were hurt by the “Iron Swords” war, as set forth in Section 1.2.2 below, remaining same store sales increased during the fourth quarter of 2023 increased by 13.9%,

The segmental profit before other expenses, net, during the fourth quarter 2023 and during the reporting period came to NIS 21.9 million and NIS 85.8 million, respectively, compared to segmental profit of NIS 21.9 million and NIS 81.1 million during the parallel periods of the previous year, respectively.

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.

The Company expects segmental sales during the first quarter of 2024 to increase by 20% compared to the parallel quarter in the previous year.

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.

Sports and leisure segment:

The segmental revenues during the reporting period and in the fourth quarter of 2023 came to NIS 297 million and NIS 119 million, respectively, which reflect an increase of 38.7% and 35.4%, respectively, compared to the parallel periods of the previous year, respectively.

The revenues of Sa’ar A.T. Entrepreneurship and Trade Co. Ltd (“Sa'ar”) from its wholesale operations increased during the fourth quarter of 2023, primarily as a result of the “Iron Swords” war, to the sum of NIS 56 million, compared to the sum of NIS 25.5 million in the parallel period in the previous year, constituting an increase of 120%.

Sa’ar’s sales in the same stores in this segment that operated fully in the fourth quarter of 2023 decreased by approximately 8% as compared to the parallel period of the previous year, primarily as a result of the “Iron Swords” war. Nevertheless, same store sales of Adidas, which was consolidated as of the fourth quarter of 2022 as aforesaid, decreased at a rate of 13% compared with the corresponding period last year, primarily as a result of the “Iron Swords” war.

Segmental income before other expenses, net came to NIS 20.6 million during the fourth quarter of 2023, compared to segmental income of NIS 14.9 million in the parallel period of the previous year.

The increase in sales derives from increased wholesale operations, primarily as a result of the “Iron Swords” war, as well as the continued expansion of Sa’ar’s operations by means of the opening of new stores and from Adidas stores’ operations, which were consolidated as of the fourth quarter of the previous year.

The Company expects segmental sales during the first quarter of 2024 to increase by 70% compared to the parallel quarter in the previous year.

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.

Electrical consumer products segment:

The segmental revenues during the reporting period and in the fourth quarter of 2023 came to NIS 1,235 million and NIS 235 million, which reflect a decrease of 10.9% and 21.8%, respectively, compared to the parallel periods of the previous year, respectively.

The segmental profit before other expenses, net, during the fourth quarter 2023 and during the reporting period came to NIS 1.6 million and NIS 80.5 million, respectively, compared to segmental profit during the parallel periods of the previous year in the sum of NIS 18.3 million and NIS 123.7 million, respectively.

There was a decrease in sales in the field of air conditioning and climate control systems in the fourth quarter of 2023 compared to the parallel period of the previous year in the sum of NIS 24 million, deriving from decreased demand for heating systems as a result of a delay in orders for heating systems for export, from the impact of the "Iron Swords" war on demand in the local market, primarily in destruction project, and from the exit from solar energy operations and their merger with Rav Bariach's operations, resulting in a decrease in the sum of NIS 7 million. There was a decrease in sales in brand commerce during the fourth quarter of 2023 compared to the parallel period of the previous year in the sum of NIS 23 million, as a result of the "Iron Swords" or as well as a downturn in the electrical market.

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.

For additional details in connection with the Company’s operational segment results, see Section 4 below.

The Company’s forecasts and analyses as set forth above in connection with the Group's operations, business, and results, including its expectation to transition to net earnings without neutralising the food segment in the first quarter of 2024 and the completion of the execution of all of its plans with regard to the food segment, the remaining actions that it is taking to reinforce the rest of its operating segments, and to strengthen its financial position, as well as in connection with the scope of its sales in the retail food segments, electrical, and sports and leisure segments, during the fourth quarter of 2024, are forward-facing information, as defined in the Securities Law, 5728-1968 (the "Securities Law"), which is based, inter alia, on information possessed by the Company as of the reporting date as well as on the reasonable assessments, business plan, and business forecasts of Company management. Said information and assessments may not materialise, or may materialise differently, in whole or in part, and even substantially so, from what is forecast, including as a result of a number of factors that are outside the Company’s control and/or are known to it on the reporting date and/or the Company’s business environment and/or as a result of the materialisation of all or part of the risk factors that are involved in its operations, as described in Section 25 of Part A of the report.

### 1.2.2 The “Iron Swords” War

On 7 October 2023, the “Irons Swords” war broke out (hereinafter: the “War”), following a surprise terror attack on the State of Israel from the Gaza Strip. Fighting later developed on the northern border too (as well as attacks in the Red Sea). 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 extensive call-up of reservists for an unknown period of time, and a reduction in educational activities, leading to disruptions in Israel's economic activities. As a rule, the war resulted in a high level of uncertainty in a variety of aspects, including economic, and even a certain slowdown in 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.

We note that according to the Bank of Israel Monetary Committee's interest notice from February 2024, in addition to the security implications of the war, the war has had significant economic implications both on actual operations as well as on the financial markets. The economic activity indicators point to a gradual improvement in activities after a significant downturn in activities upon the outbreak of the war. Market volatility has settled, and the financial markets are functioning normally. The level of uncertainty regarding the expected scope and duration of combat operations is very high, which thus impacts the level of harm to activities and the market's risk premium remains at a high level. Since the start of the war, the international credit rating companies S&P and Fitch have reduced Israel's credit rating forecast from "stable" to "negative" (without changing its rating) 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 and Moody's lowered the State of Israel's credit rating to A2 (with a negative outlook) with a negative forecast as a result of the effects of the "Iron Swords" war.

As a result of the effect of the war on shipping channels from the far east to Israel, the arrival of some of the Company's shipment to Israel was delayed. The Company estimates that this delay does not have a material impact on the Company's results whereas at the time the inventory orders were planned, a wide margin of safety was included in the timetables. Other than the above, there are no other material implications resulting from the war on the supply chain.

The Group has a variety of fields of activity, some of which were positively affected by the war and some of which were adversely affected by the war, as set forth below. Therefore, in the Company's assessment, the Group does not anticipate material harm to its sales turnover to the extent that the effects of the war do not worsen and/or the war changes character to a multiple front war.

As of the date 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. <u>The electrical consumer products segment</u> – the brand commerce sector and the climate control systems sector, including heating systems for export - have seen a decrease during the fourth quarter of 2023 deriving, inter alia, from political influences in Europe and a significant slowdown in real estate resulting from the fighting as well as the halting of real estate projects in Israel. 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 in the local market will significantly increase with the end of combat operations and the full resumption of the real estate market.

B. <u>The electrical retail segment</u> – 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, and as a result of the closing of the duty-free store in Ben-Gurion Airport – Terminal 1. During the course of the first quarter of 2024 and as a result of a decrease in the fierceness of the fighting, the number of outgoing flights from Israel and the number of passengers, we saw the beginning of a return to prewar operating levels, taking seasonality into account.

Despite the reduction in sales turnover in the duty free stores, the Company did not experience 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 and pursuant to the Company's agreement with the Israel Airports Authority.

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 increased during the course of the fourth quarter of 2023 compared to the parallel period of the previous year. Carrefour stores during this same period of time have seen a significant increase in sales turnover deriving, in the Company's assessment, also as a result 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 that are directly affected by the war, there was a significant increase in demand for such equipment. Accordingly, Sa'ar's sales turnover, primarily wholesale during the fourth quarter of 2023, alongside a decrease in same-store sales (Columbia, Outsiders, and Shvilim), alongside a decrease in Adidas same-store sales. The first quarter of 2024 saw the beginning of an increase in all of Sa'ar's field of activity, including same-store sales together with an increase in sales in Adidas's the same stores as compared with the parallel period of the previous year.

We note that as of the reporting date, in the Company's assessment, the "Iron Swords" war does not have a material impact on the Company's financial position, its ability to fulfil its various obligations, the Company's sources of financing, its liquidity, etc.

As of the date of the publication of the import, there has been a decrease in the war's intensity, the scope of the reserve call up, and there is clear economic recovery in certain branches of the market Nevertheless, there are still a number of branches that have not yet returned to regular operations, including businesses located primarily adjacent to combat areas that remain closed. Similarly, some of the residents that were evacuated from their homes alongside the Lebanon border and adjacent to the Gaza Strip have not yet returned home.

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, 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, or may materialise differently, in whole or in part, and even substantially so, from what is forecast, including as a result of a number of factors that are outside the Company's control and/or are known to it on the reporting date and/or the Company's business environment and/or as a result of the materialisation of all or part of the risk factors that are involved in its operations, as described in Section 25 of Part A of the report.

1.2.3 Despite the clear improvement in Global's results in the second half of 2023, the segmental 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, the 7-Eleven chain's operations which are under review with regard to the operating model of operating these stores under this brand, which has commenced reorganisation during the course of the fourth quarter of 2023, contributed to a segmental loss during the reporting period in the sum of NIS 68 million. (See, Sections 1.2.1 above and 1.3.1.3 below, respectively, for additional details regarding 7-Eleven's and Global Retail's reorganisation.)

See Note 29 to the annual consolidated financial statements for additional details regarding disputes that arose during the reporting period in connection with Global Retail and the classification of the online Quik partnership's operations as discontinued operations.

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

| | **Consolidated** | | **Consolidated without the retail food segment** | |
|---|---|---|---|---|
| | **For the three months ended at 31 December** | | | |
| | **NIS Thousands** | | | |
| | **2023** | **2022 *)** | **2023** | **2022** |
| Sales | 1,706,730 | 1,552,770 | 866,252 | 880,575 |
| Operating income before other income (expenses), net, and reorganisation expenses | 57,985 | 68,805 | 40,119 | 47,572 |
| EBITDA | 148,678 | 154,049 | 70,862 | 77,631 |
| Income (loss) before tax | (128,564) | 26,839 | 14,706 | 38,829**) |
| Net income (loss) from continuing operations | (132,114) | 18,260 | 10,736 | 30,250**) |
| Loss from discontinued operations | (18,909) | (7,397) | - | - |
| Net income (loss) | (151,023) | 10,863 | 10,736 | 30,250**) |
| Net income (loss) attributed to Company shareholders | (79,249) | 15,841 | 1,603 | 23,510**) |

(*) Reclassified – See Note 29 to the annual consolidated financial statements for additional details regarding the reclassification of Quik's operations as discontinued.

(**) Reclassified.

| | Consolidated | | Consolidated without the retail food segment | |
|---|---|---|---|---|
| | For the year ended at 31 December | | | |
| | NIS Thousands | | | |
| | 2023 | 2022 *) | 2023 | 2022 |
| Sales | 6,504,971 | 6,180,309 | 3,458,264 | 3,401,075 |
| Operating income before other income (expenses), net, and reorganisation expenses | 100,481 | 246,319 | 169,094 | 194,533 |
| EBITDA | 453,510 | 540,863 | 290,453 | 302,481 |
| Income (loss) before tax | (224,121) | 83,584 | 93,841 | 199,055**) |
| Net income (loss) from continuing operations | (235,281) | 55,547 | 76,280 | 170,868**) |
| Loss from discontinued operations | (46,377) | (11,917) | - | - |
| Net income (loss) | (281,658) | 43,630 | 76,280 | 170,868**) |
| Net income (loss) attributed to Company shareholders | (101,263) | 102,927 | 66,697 | 156,331**) |

| | Retail food segment | | Retail food segment | |
|---|---|---|---|---|
| | For the year ended at 31 December | | For the three months ended at 31 December | |
| | NIS Thousands | | NIS Thousands | |
| | 2023 | 2022 *) | 2023 | 2022 *) |
| Sales | 3,046,707 | 2,779,234 | 840,478 | 672,195 |
| Operating income (loss) before other income, net, and reorganisation expenses | (68,613) | 51,786 | 17,865 | 21,233 |
| EBITDA | 163,057 | 238,382 | 77,816 | 76,418 |
| Loss before tax | (317,962) | (115,471) | (143,270) | (11,990) |
| Loss from continuing operations | (311,561) | (115,321) | (142,850) | (11,990) |
| Loss from discontinued operations | (46,377) | (11,917) | (18,909) | (7,397) |
| Net loss | (357,938) | (127,238) | (161,759) | (19,387) |
| Net loss attributed to Company shareholders | (167,960) | (53,404) | (80,852) | (7,669) |

(*) Reclassified – See Note 29 to the annual consolidated financial statements for additional details regarding the reclassification of Quik's operations as discontinued.

(**) Reclassified.

For additional details in connection with the food segment results, see Section 4.5.3 below.

## 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, 85 additional Global stores have been converted to the Carrefour brand, and it is working to convert more stores by the end of 2024. It estimates that at the end of 2024, it will have 120 Carrefour stores.

As of the launch of Carrefour branches on 9 May 2023 and up to 31 December 2023, sales turnover growth in the launched Carrefour branches increased by 61%. The growth rate of the sales turnover in Carrefour stores has recently stabilised and stands at 61.3%. In addition, Carrefour brands represented 6.75% of the shopping cart in the branches that were launched. **Annual average sales per square metre in Carrefour stores during May-September 2023 came to NIS 39,479, an increase of 58.3% compared to the parallel period of the previous year prior to the conversion of these stores.**

Global ended the second half of 2023 with an increase of 55% in the turnover of converted Carrefour stores with an EBITDA, after neutralisation of IFRS 16, of NIS 52 million.

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 forecasts in connection with the conversion and launch of the above stores in 2024 is 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, on its reasonable assessments taking into account past experience and knowledge that it has accumulated on the subject, the Company's strategies, and extrinsic factors that are outside the Company's control. Said information and assessments may not materialise, or may materialise differently, in whole or in part, and even substantially so, from what is forecast as a result of a number of factors that are outside the Company's control and/or are known to it on the reporting date and/or the Company's business environment and/or as a result of the materialisation of all or part of the risk factors as described in Section 25 of Part A of the report.

#### 1.3.1.2 Launch of the customer loyalty club

Further to Note 26D(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, the transaction was completed, and the customer loyalty club was “quietly” launched on 15 August 2023 and on 17 March 2024, it was fully launched.(See Note 26D(2) of the annual consolidated financial statements for additional details.)

On 1 June 2023, the Company sold the existing credit portfolio of the customer loyalty club in consideration of NIS 35 million, recording capital gains of NIS 34 million, which was included as part of the other income item.

See Note 26D(2) to the annual consolidated financial statements for additional details in connection with the Electra customer loyalty club partnership.

#### 1.3.1.3 Global and Its Financial Position

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, that it would not exercise the option under its current terms. During the reporting period, the fair value of the option was fully deducted, and consequentially, financing expenses of NIS 9 million were recorded.

In August 2023, Global updated the financial criteria required of it as at 31 December 2023 such that the adjusted EBITDA datum (as set forth in Note 20B(3)(a) to the annual 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. After the date of the statement of financial position, the financial covenants applicable to Global were updated in order to adjust them to its future business plans (see Note 20b(3)b(2) of the consolidated financial statements for additional details).

After the date of the statement of financial position, at the beginning of March 2024, as part of the completion of an investment transaction with an external investor, NIS 200 million in capital was invested in Global, including by converting a shareholder loan of the Company worth NIS 20 million. In addition, due to the Company's arrangement with two banking corporations, Global's obligation toward the two aforementioned banking corporations was removed. The aforementioned actions led to a significant strengthening of Global's equity by NIS 270 million in the first quarter of 2024. (See Note 11B(6) of the annual consolidated financial statements for additional details about the abovementioned investment transaction.)

Concurrently with the capital raise carried out at the beginning of March 2024, as mentioned above, Global is acting to dispose of and/or close unprofitable branches and/or dispose of a network of Mehadrin branches. To the extent that after (or before) said actions, there is still a need for a source of cash flows for Global (including, inter alia, in order for Global to meet financial criteria), Global's shareholders, including the Company (or a portion thereof), will provide the required cash flow for a period of two years from the date of the approval of Global's consolidated annual financial statements according to the amounts estimated by Global and in a limited amount.

See Note 11B(7)(b) of the annual consolidated financial statements for details about the termination of Global's CEO's tenure and the implementation of a broad streamlining plan during the reporting period.

### 1.3.2 <u>Execution of a revision of the franchise agreement with Adidas Israel Ltd.</u>

Further to Note 5A(1) to the consolidated annual financial statements for 2022, regarding the franchise agreement between E.L. Sport (2017) Ltd., an indirect subsidiary controlled by the Company (the "franchisee") and Adidas Israel Ltd. ("Adidas") (collectively: the "Parties"), for the operation of franchise stores under the Adidas brand in Israel, on 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 aforementioned transaction was conditioned upon conditions precedent, which were met by the beginning of October 2023. The transaction closed on 28 December 2023.

See Note 5(a)(3)to the annual consolidated financial statements for additional details agreed to in the amended franchise agreement, including regarding its term.

**1.3.3** On 19 September 2023, a notice of exercise was executed, pursuant to which the subsidiary, Electra Retail Ltd. ("Electra Retail"), which is held wholly owned by the Company, would purchase from its subsidiary, Sa'ar, in which Electra Retail holds an ownership interest of 50.01%, its shares in E.L. Sport (2017) Ltd ("E.L. Sport"), in which Sa'ar has a 100% ownership interest and that operates franchise stores under the Adidas brand name in Israel in exchange for the cost of Sa'ars investment in E.L. Sport such that after said transaction, Electra Retail would directly hold 100% of the shares in E.L. Sport. On 16 October 2023, the shares were transferred, and the transaction was completed.

**1.3.4** 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.

**1.3.5** 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.

**1.3.6** 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 & Poors Maalot confirmed a rating of ilAA- for the Company's (Series A) bonds.

On 16 January 2024, Standard & Poors Maalot confirmed a rating of ilAA- for the Company's (Series A) bonds.

**1.3.7** **Equity Issue**

In December 2023, the Company issued 1,760,081 ordinary shares with a nominal value of NIS 1 each, in consideration of a gross total of NIS 124,526 thousand to institutional investors.

**1.3.8** **Expansion of Series A - Bonds/Debentures**

On 21 January 2024, the Company made a private offering of NIS 199.431 million par value of the Company's (Series A) bonds by way of an expansion of a registered series for total gross proceeds of NIS 179.9 million.

Ma'alot set a rating of ilAA- for the new offering of bonds.

The actions taken as mentioned in Sections 1.3.7 and 1.3.8 above were intended to strengthen the Company's capital structure and increase its liquid resources.

**1.3.9** **Regulatory Changes**

The year 2023 was characterised by regulatory changes in the field of electrical consumer products in both the local and the European markets. In the local market, based on orders that were published, it was decided to cancel tariffs on air conditioners from the East. Additionally, an energy import reform came into effect, requiring importers and/or manufacturers to comply with European energy efficiency regulations, instead of meeting the efficiency requirements according to the Energy Source Regulations. The regulations mandate a gradual transition to the use of air conditioners with a high energy rating that align with European standards and regulations, and the cessation of importation, production, and sale of air conditioners with a lower, outdated energy rating. In the European market, it was decided to gradually reduce polluting gases and to switch in 2027 to propane gas, which has zero Global Warming Potential (GWP). Furthermore, the Russia-Ukraine war led to a significant reduction in the subsidies provided by governments in the European Union to consumers, which may affect the quantity of products the Company exports to the European Union in accordance with its various agreements.

During the second half of 2023, a slowdown in the European heat pump market began as a result of a recession and a significant decrease in gas prices in Europe. This was caused by the development of solutions for gas transportation, which affected the demand for the Company's products in Europe.

**1.3.10** As to additional significant events, during the reporting period and thereafter, see Notes 11B, 12F, 13B, 15A(2), 26, and 32 of the annual consolidated financial statements.

# The board of directors' explanations of the state of the Company's affairs

## 2. Financial position

**Below is a summary of the statements of financial position (in NIS thousands):**

| | As at 31 December | |
|---|---|---|
| | **2023** | **2022** |
| Current assets | 2,186,246 | 2,189,770 |
| Non-current assets | 4,822,830 | 4,506,700 |
| Total assets | 7,009,076 | 6,696,470 |
| | | |
| Current liabilities | 3,122,842 | 2,657,788 |
| Non-current liabilities | 2,883,756 | 2,814,874 |
| Shareholder equity | 1,002,478 | 1,223,808 |
| Total liabilities and equity | 7,009,076 | 6,696,470 |

### Assets

2.1. The total current assets amounted to approximately NIS 2,186 million as at 31.12.2023, as compared with approximately NIS 2,190 million as at 31.12.2022. The decrease in current assets during the reporting period primarily derived from a decrease in trade receivables, deposits, and short term investments, set off in part by 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.

2.2. The total non-current assets amounted to approximately NIS 4,823 million as at 31.12.2023, 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 3,123 million as of 331.12.2023, as compared with approximately NIS 2,658 million as of 31.12.2022. The increase primarily derived from an increase in trade payables due to the building up of inventories, investments and the renovation of and conversion to Carrefour stores, 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, and from an increase in other payables.

2.4 The total non-current liabilities amounted to NIS 2,884 million as at 31.12.2023, as compared with NIS 2,815 million as at 31.12.2022. The increase primarily derived from an increase in loans from banks and others - 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 primarily by a decrease in bonds as a result of the redemption during the fourth quarter of 2023.

### Shareholder equity

2.5 Shareholder equity as at 31.12.2023 amounted to NIS 1,002 million (including noncontrolling interests of NIS 370 million), as compared with 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 286 million, from a buyback of Company shares in the sum of NIS 21 million, from transactions with noncontrolling interests in the sum of NIS 50 million, and from a dividend that was paid in the sum of NIS 35 million, which was partially offset by an issue of equity in the sum of NIS 124 million and by the issuance of equity to noncontrolling 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 2,795 million as at 31.12.2023, 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 eliminating leasing liabilities (IFRS 16), amounted to a net financial debt of NIS 878 million as at 31 December 2023, as compared with a net financial debt of NIS 611 million as at 31 December 2022. The increase in the Company financial debt, net, without IFRS 16 derived primarily from an increase in the food segment's debt of NIS 39 million, primarily as a result of renovating and converting the stores and preparing them for launching Carrefour, starting 9 May 2023, which was partially offset by a positive cash flow from regular operations, as well as from an increase in debt in the other segments in which the Group operates, in the sum of approximately NIS 128 million, that primarily derived from the investment in property, plant, equipment, payment of a dividend to the Company's shareholders and to noncontrolling interests, from the acquisition of the share held by a holder of noncontrolling interests in a second-tier subsidiary, and a buyback of treasury shares that was partially offset primarily by raising capital during the reporting period and positive cash flows from current operations.

## 2.8 Segmental assets and liabilities

| | Electrical consumer products segment | Electrical retail segment | Retail food segment | Sports and leisure segment | Investment property, adjustments , and other segment | Total |
|---|---|---|---|---|---|---|
| | | | NIS Thousands | | | |
| Current assets | 972,459 | 497,676 | 495,895 | 241,540 | (21,324) | 2,186,246 |
| Non-current assets | 308,826 | 529,697 | 3,246,632 | 463,528 | 274,147 | 4,822,830 |
| Current liabilities | 370,455 | 971,552 | 1,576,636 | 247,346 | (43,147) | 3,122,842 |
| Non-current liabilities | 131,439 | 231,300 | 1,877,520 | 247,806 | 395,691 | 2,883,756 |
| Financial asset (debt), net | 88,309 | (193,647) | (1,890,884) | (326,256) | (473,762) | (2,796,240) |
| Financial asset (debt), net (without IFRS 16) | 102,186 | 4,224 | (455,683) | (54,819) | (473,763) | (877,855) |

| | Electrical consumer products segment | Electrical retail segment | Retail food segment | Sports and leisure segment | Investment property, adjustments, and other segment | Total |
|---|---|---|---|---|---|---|
| | | | NIS Thousands | | | |
| 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 asset (debt), net | 10,594 | (205,457)*) | (1,709,464)*) | (219,372) | (374,588) | (2,498,287) |
| Financial asset (debt), net (without IFRS 16) | 26,236 | (5,367) *) | (217,028) *) | (39,932) | (374,588) | (610,679) |

*) Reclassified.

# 3. Results of activities:

## 3.1 Summary of Business Results by Period (in NIS Thousands):

| | For the year ended at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | **(**)** | **2022 *)** | **(**)** | **2021** | **(**)** |
| Revenues from sales and provision of services | 6,504,971 | | 6,180,309 | | 4,648,546 | |
| Cost of sales and provision of services | (4,669,738) | | (4,357,960) | | (3,354,311)***) | |
| Gross profit | 1,835,233 | 28.2% | 1,822,349 | 29.5% | 1,294,235 | 27.8% |
| Selling and marketing expenses | (1,631,638) | | (1,469,270) | | (983,351)***) | |
| Administrative and general expenses | (94,117) | | (101,432) | | (80,718) | |
| Research and development expenses | (8,035) | | (5,188) | | (6,231) | |
| Group's share in losses of companies treated according to the equity method, net | (962) | | (140) | | - | |
| Operating income before other income (expenses), net, and reorganisation expenses | 100,481 | 1.5% | 246,319 | 4.0% | 223,935 | 4.8% |
| Other income (expenses), net | (61,112) | | 15,627 | | 41,664 | |
| Reorganisation expenses | (51,758) | | (51,830) | | - | |
| Operating income (loss) after other income, net, and reorganisation expenses | (12,389) | | 210,116 | | 265,599 | |
| Financing income | 11,208 | | 3,400 | | 6,555 | |
| Financing expenses | (222,940) | | (129,932) | | (68,681) | |
| Income (loss) before taxes on income | (224,121) | | 83,584 | | 203,473 | |
| Taxes on income | (11,160) | | (28,037) | | (31,597) | |
| Net income (loss) from continuing operations | (235,281) | | 55,547 | | 171,876 | |
| Loss from discontinued operations | (46,377) | | (11,917) | | - | |
| Net income (loss) | (281,658) | | 43,630 | | 171,876 | |

(*) Reclassified – See Note 29 to the annual consolidated financial statements for additional details regarding the reclassification of Quik's operations as discontinued.

(**) Percentage of turnover.

(***) Reclassified.

### 3.1.1 Revenues

The Group's revenues amounted to NIS 6,505 million during the reporting period, as compared with NIS 6,180 million in the parallel period of the previous year, an increase of approximately 5.3%. 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 and the fourth quarter of the year, whose collective contribution was NIS 434 million, from an increase in sales in the sports and leisure segment in the sum of NIS 83 million, primarily due to sales to wholesalers, primarily because of the “Iron Swords” war, 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 the opening of new stores, 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 65 million due to a decrease in the electrical market in the third quarter and fourth quarter of 2023, and a decrease in air conditioner and climate control systems, primarily because of the impact from the “Iron Swords” war, primarily during the fourth quarter of 2023, which was offset in part by increase sales of heating systems of export, 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 37 million. (For additional details in connection with the report on business segments, see Section 4 below.)

### 3.1.2 Gross profit

The gross profit rate in the reporting period came to approximately 28.2% of the sales turnover, as compared with approximately 29.5% in the parallel period of the previous year. The gross profit amounted to NIS 1,835 million in the reporting period, as compared with NIS 1,822 million in the parallel period of the previous year, an increase of 0.7%. 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 same store sales and an increase in gross profit in the sports and leisure segment, primarily due to the increase in sales in wholesale operations of Sa’ar, mainly as a result of the “Iron Swords” war, and due to consolidation of the Adidas brand during the fourth quarter of the previous year, and they were partially offset by a decrease in the rate of 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, mainly as a result of the change to the sales mix. (For additional details in connection with the report on business segments, see Section 4 below.)

### 3.1.3 Selling and marketing expenses

Selling and marketing expenses amounted to the sum of NIS 1,632 million (25.1% of sales turnover) in the reporting period, as compared with NIS 1,469 million (23.8% 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, 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, due to a merger with the Adidas brand in the fourth quarter of last year. (See Section 4 below for additional details in connection with the report on business segments.)

### 3.1.4 Administrative and general expenses

Administrative and general expenses in the reporting period amounted to NIS 94 million (approximately 1.4% of sales turnover), as compared with NIS 101 million in the parallel period of the previous year (approximately 1.6% of sales turnover). The decrease was primarily due to a reduction in salary expenses, mainly in the food retail sector, and a decrease in management fees to Alco Ltd. (the parent company of the Company).

### 3.1.5 Research and development expenses

Research and development expenses amounted to approximately NIS 8 million in the reporting period, as compared with approximately NIS 5 million in the parallel period of the previous year. The increase in research and development expenses derives from an increase in expenditures that were directed at developing future products from the climate systems plant.

### 3.1.6 Operating income before other income (expenses), net, and reorganisation expenses

Operating income before other income, net, and reorganisation expenses amounted to NIS 100 million in the reporting period, as compared with NIS 246 million in the parallel period of the previous year, an increase of approximately 59.2%, deriving primarily - as noted - from the retail food market.

### 3.1.7 Other income (expenses), net

Other expenses, net amounted to NIS 61 million in the reporting period as compared with other income, net of NIS 16 million in the parallel period of the previous year. The other expenses during the reporting period were primarily due to the impairment of goodwill in the food segment. See Note 16A to the annual consolidated financial statements for additional details in connection with the impairment of goodwill in the food segment.

### 3.1.8 Reorganisation expenses

Reorganisation expenses during the reporting period were NIS 52 million, similar to the expenses during the parallel period last year, and they derived from the retail food segment as aforementioned. (See Sections 1.2.1 and 1.3.1.3 above, respectively, for more information regarding the reorganisation process at Global and 7-Eleven.)

### 3.1.9 Operating Income (Loss) After Other Income (Expenses), Net, and Reorganisation Expenses

Operating loss after other income, net, and reorganisation expenses amounted to approximately NIS 12 million in the reporting period, as compared with approximately NIS 210 million in the parallel period of the previous year, a decrease that primarily derived from the food segment as aforementioned.

### 3.1.10 Financing Income (Expenses), Net

Financing expenses, net, amounted to NIS 212 million in the reporting period, as compared with NIS 127 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, from an increase in credit card factoring expenses in the reporting period as a result of an increase in the prime interest rate, from an increase in exchange rate differential expenses, net, 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. (See Section 1.3.1.3 above.)

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

Losses before taxes on income amounted to NIS 224 million in the reporting period, as compared with income before taxes on income of NIS 84 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.

### 3.1.12 Taxes On Income

Taxes on income expenditures amounted to NIS 11 million in the reporting period, as compared with taxes on income expenditures of NIS 28 million in the parallel period of the previous year. The decrease in tax expenses primarily derived from a decrease in income before tax and from a tax refund for previous years in the retail food segment.

### 3.1.13 Net profit (loss) from continuing operations

Loss from continuing operations during the reporting period amounted to NIS 235 million, as compared with income from continuing operations in the sum of NIS 56 million in the parallel period of the previous year. After neutralisation of the results of the food segment in the reporting period, net profit from continuing operations amounted to NIS 76 million in the reporting period, compared with NIS 171 million in the parallel period of the previous year.

### 3.1.14 Loss From Discontinued Operations

Loss from discontinued operations during the reporting period amounted to NIS 46 million, compared to a loss of NIS 12 million during the parallel period last year. This derived from Quik's operations as part of the food segment (see Note 29 to the annual consolidated financial statements for additional details regarding disputes that arose during the reporting period in connection with classification of Quik's operations as discontinued operations).

### 3.1.15 Net income (loss)

Loss during the reporting period amounted to NIS 282 million, as compared with income in the sum of NIS 44 million in the parallel period of the previous year.

### 3.1.16 Net income (loss) attributed to Company shareholders

Loss attributed to Company shareholders amounted to NIS 101.3 million in the reporting period, deriving primarily from the food segment, as compared with net income attributed to the Company's shareholders in the sum of NIS 102.9 million in the parallel period of the previous year.

### 3.1.17 EBITDA(*)

EBITDA in the reporting period amounted to NIS 453.5 million, as compared with NIS 540.9 million in the parallel period of the previous year, a decrease of approximately 16.1%. 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 290.5 million in the reporting period, as compared with NIS 302.5 million in the parallel period of the previous year, reflecting a decrease of approximately 4%.

EBITDA in the reporting period after neutralising IFRS 16 amounted to NIS 149.2 million, as compared with NIS 261.7 million in the parallel period of the previous year, a decrease of approximately 43%. The decrease in EBITDA derived primarily 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, and from a reduction in the consumer electronics sector, which was mainly due to the decrease in sales volume as mentioned.

EBITDA after neutralising IFRS 16, after neutralisation of the retail food segment, amounted to NIS 204.2 million in the reporting period, as compared with NIS 227.5 million in the parallel period of the previous year, reflecting a decrease of approximately 10%.

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

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

| | Quarter 10-12/2023 | (**) | Quarter 7-9/2023 *) | (**) | Quarter 4-6/2023 *) | (**) | Quarter 1-3/2023*) | (**) | Quarter 10-12/2022 *) | (**) |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues from sales and provision of services | 1,706,730 | e | 1,814,267 | | 1,514,448 | | e | | 1,552,770 | |
| Cost of sales and provision of services | 1,225,513 | | 1,297,748 | | 1,107,298 | | 1,039,179 | | 1,068,016 | |
| Gross profit | 481,217 | 28.2% | 516,519 | 28.5% | 407,150 | 26.9% | 430,347 | 29.3% | 484,754 | 31.2% |
| Selling and marketing expenses | (399,393) | | (424,652) | | (415,845) | | (391,748) | | (386,904) | |
| Administrative and general expenses | (21,587) | | (23,063) | | (26,425) | | (23,042) | | (27,356) | |
| Research and development expenses | (2,092) | | (2,088) | | (1,837) | | (2,018) | | (1,672) | |
| Group's share in losses of companies treated according to the equity method, net | (160) | | (143) | | (341) | | (318) | | (17) | |
| Operating income (loss) before other income (expenses) and reorganisation expenses | 57,985 | 3.4% | 66,573 | 3.7% | (37,298) | (2.5%) | 13,221 | 0.9% | 68,805 | 4.4% |
| Other income (expenses), net | (84,750) | | (7,424) | | 33,579 | | (2,517) | | (5,697) | |
| Reorganisation expenses | (51,758) | | - | | - | | - | | - | |
| Operating profit (loss) after other income (expenses) and reorganisation expenses | (78,523) | | 59,149 | | (3,719) | | 10,704 | | 63,108 | |
| Financing income | 2,331 | | 1,797 | | 4,008 | | 3,072 | | 1,949 | |
| Financing expenses | (52,372) | | (55,910) | | (62,269) | | (52,389) | | (38,218) | |
| Income (loss) before taxes on income | (128,564) | | 5,036 | | (61,980) | | (38,613) | | 26,839 | |
| Tax benefit (taxes on income) | (3,550) | | (9,463) | | 8,184 | | (6,331) | | (8,579) | |
| Net income (loss) from continuing operations | (132,114) | | (4,427) | | (53,796) | | (44,944) | | 18,260 | |
| Loss from discontinued operations | (18,909) | | (11,515) | | (8,230) | | (7,723) | | (7,397) | |
| Net income (loss) | (151,023) | | (15,942) | | (62,026) | | (52,667) | | 10,863 | |
| Other comprehensive income (loss) | | | | | | | | | | |
| Profit (loss) from remeasurement for defined benefit plans | (1,396) | | - | | - | | - | | 770 | |
| Profit (loss) with respect to cash flow hedging transactions | (2,484) | | - | | (4,739) | | (142) | | (6,618) | |
| Transfer to Statement of Profit and Loss with respect to cash flow hedging transactions | - | | - | | - | | 4,676 | | - | |
| Total comprehensive profit (loss) | (154,903) | | (15,942) | | (66,765) | | (48,133) | | 5,015 | |

(*) Reclassified – See Note 29 to the annual consolidated financial statements for additional details regarding the reclassification of Quik's operations as discontinued.

(**) Percentage of turnover.

### 3.2.1 Revenues

The Group's revenues amounted to NIS 1,707 million in the fourth quarter of 2023 as compared with NIS 1,553 million in the parallel period of the previous year, an increase of approximately 9.9%.

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 fourth quarter of the year, whose collective contribution was NIS 192 million, from an increase in sales in the sports and leisure segment in the sum of NIS 31 million, primarily at Sa’ar, due to sales to wholesalers, primarily because of the “Iron Swords” war, which was partially offset by a decrease in sales of the Adidas brand, which was impacted by the “Iron Swords” war and by an increase in 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 at the duty free stores due to the impact of the “Iron Swords” war, as well as partially offset by decreased sales in the electrical consumer products segment that derived from a decrease in brand commerce in the sum of NIS 23 million due to a decrease in the electrical market and the impact of the “Iron Swords” war, and a decrease in air conditioner and climate control systems of NIS 24 million, primarily because of the impact of the “Iron Swords” war, and due to a decrease in demand for heating systems of export, 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 7 million. (See Section 4 below for additional details in connection with reporting on business segments.)

### 3.2.2 Gross Profit

The gross profit rate in the fourth quarter of 2023 stood at approximately 28.2% of the sales turnover, as compared with approximately 31.2% in the parallel period of the previous year. The gross profit in the fourth quarter of 2023 amounted to NIS 481 million, as compared with NIS 485 million in the parallel period of the previous year, a decrease of approximately 0.73%. The increase in gross profit primarily derived from a decrease in gross profit and its percentage in the electrical consumer products segment, which primarily derived from a change in the sales mix and as a result of an increase in raw material costs, as well as the erosion of sales prices due to the reduction of tariffs on air conditioner imports, offset in part by an increase in gross profit in the food segment, primarily as a result of the launch of the Carrefour network in the second quarter of the year; from an increase in gross profit in the sports and leisure segment, primarily due to the increase in sales in wholesale operations of Sa’ar, mainly as a result of the “Iron Swords” war, and from an increase in gross profit in the electrical retail segment, mainly as a result of an increase in same store sales (For additional details in connection with the report on business segments, see Section 4 below.)

### 3.2.3 Selling and marketing expenses

Sale and marketing expenses amounted to approximately NIS 399 million (approximately 23.4% of sales turnover) in the fourth quarter of 2023 as compared with approximately NIS 387 million (approximately 24.9% of sales turnover) in the parallel period of the previous year. The increase in sales and marketing expenses derives primarily from an increase in the sales turnover in the food segment, the electrical retail segment, and the sports and leisure segment, and was partially offset by a decrease in sales and marketing expenses in the electrical consumer products segment, primarily due to a decrease in a decrease in the sales turnover. (See Section 4 below for additional details in connection with reporting regarding business segments.).

### 3.2.4 Administrative and general expenses

Administrative and general expenses amounted to NIS 22 million (1.3% of sales turnover) in the fourth quarter of 2023, as compared to NIS 27 million (1.8% of sales turnover) during the parallel period of the previous year.

### 3.2.5 Research and development expenses

Research and development expenses amounted to NIS 2.1 million in the fourth quarter of 2023 as compared with NIS 1.7 million in the parallel period of the previous year.

### 3.2.6 Operating income before other income (expenses), net, and reorganisation expenses

Operating income before other income, net amounted to NIS 58 million in the fourth quarter of 2023, as compared with NIS 69 million in the parallel period of the previous year.

### 3.2.7 Other Expenses, Net

Other expenses, net, amounted to the sum of NIS 54.7 million in the fourth quarter of 2023, as compared with other expenses, net, of NIS 5.7 in the parallel period of the previous year.

Other expenses during the fourth quarter of 2023 primarily derived from the retail food segment in the sum of approximately NIS 73 million, primarily from goodwill impairment of Global Retail amounting to NIS 67 million and from an investment of NIS 6 million in the real estate segment, due to impairment of investment property under construction.

### 3.2.8 Reorganisation Expenses

Reorganisation expenses during the reporting period came to NIS 52 million and derived from the retail food segment. (See Sections 1.2.1 and 1.3.1.3 above, respectively, for more information regarding the reorganisation process at Global and 7-Eleven.)

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

Operating loss after other expenses, net, and reorganisation expenses, amounted to NIS 79 million in the fourth quarter of 2023, as compared with income of NIS 63 million in the parallel period of the previous year.

### 3.2.10 Net financing income (expenses)

Financing expenses, net, amounted to NIS 50 million in the fourth quarter of 2023, as compared with NIS 36 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 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.

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

Loss before taxes on income amounted to NIS 129 million in the fourth quarter of 2023, as compared with income of NIS 27 million in the parallel period of the previous year.

### 3.2.12 Taxes on income

Expenditures on taxes on income amounted to NIS 3.5 million in the fourth quarter of 2023, as compared with NIS 8.6 million in the parallel period of the previous year.

### 3.2.13 Net income (loss) from continuing operations

Loss from continuing operations amounted to NIS 132 million in the fourth quarter of 2023, as compared with income of NIS 18 million in the parallel period of the previous year. The primary loss in the fourth quarter of 2023 derived from the food segment, mainly as a result of a decrease in the goodwill of Global Retail, and the aforementioned reorganisation expenses.

### 3.2.14 Loss from discontinued operations

The loss from discontinued operations in the fourth quarter of 2023 was NIS 19 million, as compared with a loss of NIS 7 million in the parallel period of the previous year, and this derived from Quik's operations as part of the food segment. (See Note 29 to the annual consolidated financial statements for additional details regarding disputes that arose during the reporting period and the classification of Quik's operations as discontinued operations.)

### 3.2.15 Net income (loss)

Loss amounted to NIS 151 million in the fourth quarter of 2023, as compared with net income of NIS 10.9 million in the parallel period of the previous year.

### 3.2.16 Net income (loss) attributed to Company shareholders

Loss attributed to Company shareholders amounted to NIS 79.2 million in the fourth quarter of 2023, deriving primarily from the food segment as aforementioned, as compared with net income attributed to the Company's shareholders in the sum of NIS 15.8 million in the parallel period of the previous year.

### 3.2.17 EBITDA (*)

EBITDA amounted to NIS 148.7 million in the fourth quarter of 2023, as compared with NIS 154 million in the parallel period of the previous year, a decrease of approximately 3.5%.

EBITDA after neutralisation of IFRS 16 amounted to NIS 75.5 million in the fourth quarter of 2023, as compared with NIS 79.9 million in the parallel period of the previous year, a decrease of approximately 5.5%.

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

# 4. Report on business segments

## 4.1 Revenues (in NIS Thousands)

| | For the year ended at 31 December | | | |
|---|---|---|---|---|
| | **2023** | **2022** | **% change (**)** | **2021** |
| Electrical consumer products | 1,235,152 | 1,386,653 | (10.9%) | 1,239,621 |
| Electrical retail | 2,056,240 | 1,950,372 | 5.4% | 1,779,970 |
| Retail food | 3,046,707 | 2,779,234 *) | 9.6% | 1,703,626 |
| Sports and leisure | 297,199 | 214,202 | 38.7% | 90,663 |
| Investment property | 11,773 | 11,251 | 4.6% | 12,003 |
| Adjustments and other | (142,100) | (161,403) | - | (177,337) |
| Total | 6,504,971 | 6,180,309 | 5.3% | 4,648,546 |

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

| | For the year ended at 31 December | | | |
|---|---|---|---|---|
| | **2023** | **2022** | **% change (**)** | **2021** |
| Electrical consumer products | 80,508 | 123,742 | (34.9%) | 115,514 |
| Electrical retail | 85,837 | 81,114 | 5.8% | 87,200 |
| Retail food | (68,613) | 51,786 *) | (232.5%) | 45,846 |
| Sports and leisure | 18,447 | 20,067 | (8.1%) | 11,493 |
| Investment property | 11,717 | 11,190 | 4.7% | 12,003 |
| Adjustments and other | 2,116 | 272 | - | (8,211) |
| Total segmental income | 130,012 | 288,171 | (54.9%) | 263,845 |
| Other income (expenses), net | (61,112) | 15,627 | (491.1%) | 41,664 |
| Reorganisation expenses | (51,758) | (51,830) | (0.1%) | - |
| Unallocated shared expenses | (29,531) | (41,852) | 29.4% | (39,910) |
| Operating income (loss) | (12,389) | 210,116 | (105.9%) | 265,599 |

(*) Reclassified – See Note 29 to the annual consolidated financial statements for additional details regarding the reclassification of Quik's operations as discontinued.

(*) The percent change is calculated based on the ratio between the 2023 results and the 2022 results.

## 4.3 Segmental EBITDA (in NIS Thousands):

| | For the year ended at 31 December | | | |
|---|---|---|---|---|
| | 2023 | 2022 | % change (**) | 2021 |
| Electrical consumer products | 110,238 | 150,890 | (26.9%) | 140,730 |
| Electrical retail | 135,883 | 132,531 | 2.5% | 132,568 |
| Retail food | 163,057 | 238,382 *) | (31.6%) | 153,763 |
| Sports and leisure | 59,152 | 48,514 | 21.9% | 23,693 |
| Investment property | 11,717 | 11,190 | 4.7% | 12,003 |
| Adjustments and other | 2,994 | 1,208 | - | (4,713) |
| Total segmental EBITDA | 483,041 | 582,715 | (17.1%) | 458,044 |
| Unallocated shared expenses | (29,531) | (41,852) | 29.4% | (39,910) |
| EBITDA | 453,510 | 540,863 | (16.2%) | 418,134 |

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

| | For the year ended at 31 December | | | |
|---|---|---|---|---|
| | 2023 | 2022 | % change (**) | 2021 |
| Electrical consumer products | 103,043 | 144,640 | (28.8%) | 135,043 |
| Electrical retail | 93,690 | 88,773 | 5.5% | 95,293 |
| Retail food | (55,040) | 34,193 *) | (261%) | 37,664 |
| Sports and leisure | 24,747 | 25,432 | (2.7%) | 14,830 |
| Investment property | 11,717 | 11,190 | 4.7% | 12,003 |
| Adjustments and other | 2,994 | 1,208 | - | (4,713) |
| Total segmental EBITDA | 181,151 | 305,436 | (40.7%) | 290,120 |
| Unallocated shared expenses | (31,991) | (43,770) | 26.9% | (41,372) |
| EBITDA | 149,160 | 261,666 | (43.0%) | 248,748 |

(*) Reclassified – See Note 29 to the annual consolidated financial statements for additional details regarding the reclassification of Quik's operations as discontinued.

(**) The percent change is calculated based on the ratio between the 2023 results and the 2022 results.

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

### (1) Electrical consumer products

The sales turnover amounted to NIS 1,235 million in the reporting period, as compared with NIS 1,387 million in the parallel period of the previous year, which constitutes a decrease of approximately 10.9%. 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 because of the impact of the “Iron Swords” war, which was partially offset as a result of an increase in orders of heating systems for export, from a decrease in brand commerce, primarily because of a decrease in the electrical market, as a result of the effects of the “Iron Swords” war, and from a decrease in solar energy operations due to a deconsolidation during the reporting period. Segmental income, after neutralisation of other income (losses), net, amounted to NIS 81 million in the reporting period, as compared with NIS 124 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 fourth quarter of 2023 amounted to NIS 235 million, as compared with NIS 300 million in the parallel period of the previous year, a decrease of approximately 21.8%. The decrease in revenues primarily derived from a decrease in sales in brand commerce of NIS 23 million, due to the impact of the “Iron Swords” war and as a result of a downturn in the electrical market in the fourth quarter of 2023, a decrease in sales of air conditioners and climate systems of NIS 24 million, primarily due to the impact of the “Iron Swords” war and a decrease in demand for heating systems for export, as well as from an exit from solar power operations and its merger into Rav Bariach operations, which resulted in a decrease of NIS 7 million. Segmental income, after neutralisation of other expenses, net, amounted to NIS 2 million in the fourth quarter of 2023, as compared with NIS 18 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 2,056 million in the reporting period, as compared with NIS 1,950 million in the parallel period of the previous year, which constitutes an increase of approximately 5.4%.

The sales in the same stores in the segment that fully operated in the reporting period increased by approximately 4.4% in comparison to the parallel period of the previous year.

Monthly average sales per square metre in the same stores amounted to NIS 3,403 per square metre, as compared with NIS 3,331 per square metre in the parallel period of the previous year.

Segmental income, after neutralisation of other income, net, increased and amounted to NIS 86 million in the reporting period, as compared with NIS 81 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 539 million in the fourth quarter of 2023, as compared with NIS 518 million in the parallel period of the previous year, which constitutes an increase of approximately 4%.

The sales in the same stores in the segment that fully operated in the fourth quarter of 2023 increased in comparison to the parallel period of the previous year by approximately 4.9%. After neutralisation of the duty free shops that were hurt by the "Iron Swords" war, remaining same store sales increased during the fourth quarter of 2023 increased by 13.9%,

Monthly average sales per square metre in the same stores amounted to NIS 3,390 per square metre, as compared with NIS 3,502 per square metre in the parallel period of the previous year. The decrease in sales per square metre in same stores was primarily due to a decline in duty-free shop sales, which were negatively impacted by the "Iron Swords" war.

Neutralising the duty-free stores, average monthly sales per square metre in the other same stores during the fourth quarter of 2023 amounted to NIS 3,235, as compared with NIS 2,944 per square metre in the parallel period of the previous year%.

Segmental income after neutralisation of other expenses amounted to NIS 22 million during the course of the fourth quarter of 2023, which was similar to the parallel period of the previous year.

(3) Retail food

The sales turnover amounted to NIS 3,047 million in the reporting period, reflecting an increase of 9.6%, as compared with NIS 2,779 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 27 stores by the end of the fourth 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 434 million to the sales turnover during that period. Similarly, there was an increase of NIS 17 million in the income of the 7-Eleven chain, that was 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 12%** 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 25,921, as compared with NIS 24,029 per square metre in the parallel period of the previous year.

Monthly average sales per square metre during the reporting period in stores that were converted to Carrefour amounted to NIS 39,479, as compared with NIS 24,936 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 69 million in the reporting period, as compared with income after neutralisation of other income, net, of NIS 52 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, the operations of the 7-Eleven chain contributed to a segmental loss before other expenses, net, and reorganisation expenses, of NIS 23 million during the reporting period.

Sales turnover amounted to NIS 840 million in the fourth quarter of 2023, reflecting a decrease of 25%, as compared with NIS 672 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 fourth quarter of the year, and the subsequent completion of the opening of another 27 stores by the end of the third quarter of the year, with an estimated contribution of NIS 192 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 fourth quarter of 2023 **increased by approximately 29.2%** as compared to the parallel period of the previous year.

Annual average sales per square metre amounted to NIS 28,969 during the fourth quarter of 2023 (including stores that were converted to Carrefour), as compared with NIS 21,915 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 fourth quarter of 2023 increased by a rate of 63.4% 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 39,156 per square metre during the fourth quarter of 2023, as compared with NIS 24,204 per square metre in the parallel period of the previous year.

Segmental income, after neutralisation of other expenses, net, and reorganisation expenses, amounted to NIS 17.9 million during the fourth quarter of 2023, as compared with segmental income after neutralisation of other expenses, net, of NIS 21.2 million in the parallel period of the previous year, and was primarily due to a decrease in profitability as a result of the launch of Carrefour, a significant increase in logistics costs due to an increase in the import of Carrefour product inventory, and an increase in consumer club consumption, especially during the “Iron Swords” war. Additionally, there was an increase in sales and marketing expenses, mainly due to higher labour and advertising costs associated with the launch of new branches and increased depreciation expenses as a result of investments in branch conversions.

See Notes 20B(3), 11B(7)a and b, 11B(6) and 1D, respectively, to the consolidated financial statements for additional details regarding the financing agreements, the financial position of the second-tier subsidiary, Global, and regarding the broad streamlining plan that started to be implemented during the reporting period and the investment agreement in Global that was executed after the date of the statement of financial position, as well as the reorganisation plan that started to be implemented during the fourth quarter of 2023 at the 7-Eleven chain.

### (4) Sports and leisure

The sales turnover amounted to NIS 297 million in the reporting period, reflecting an increase of 38.7%, as compared with NIS 214 million in the parallel period of the previous year. The increase in revenue turnover derived from an increase in the revenue of Sa'ar, primarily due to the opening of new branches and an increase in wholesale activity, primarily as a result of the “Iron Swords” war 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 47 million in the reporting period.

The sales turnover in the camping, sports and leisure (Sa'ar) segment amounted to NIS 93 million in the reporting period, reflecting an increase of 73.2%, as compared with NIS 54 million in the parallel period of the previous year, deriving primarily from the "Iron Swords" war.

Same store sales in this segment, in the field of camping, sports and leisure (Sa'ar) which operated fully in the reporting period, decreased by 5% compared with the corresponding period last year, primarily due to weak winter operations at the start of the year. Nevertheless, **same store sales of Adidas, which was consolidated as from the fourth quarter of 2022, as aforesaid, grew at a rate of 7% compared with the corresponding period last year in the pro forma statement.**

Segmental income, after neutralisation of other income, net, amounted to NIS 18.5 million in the reporting period, as compared with segmental income after neutralisation of other expenses, net, of NIS 20.1 million in the parallel period of the previous year. The decrease in segmental income primarily derived from said decreased sales in Sa'ar's same stores.

Sales turnover amounted to NIS 119 million in the fourth quarter of 2023, reflecting an increase of 35.4%, as compared with NIS 88 million in the parallel period of the previous year. The increase in revenue turnover derived from an increase in the revenue of Sa'ar, primarily due to an increase in wholesale activity, primarily as a result of the "Iron Swords" war.

Sa'ar's sales in the same stores in this segment that operated fully in the fourth quarter of 2023 decreased by approximately 8% as compared to the parallel period of the previous year, primarily as a result of the "Iron Swords" war. Nevertheless, same store sales of Adidas, which was consolidated as of the fourth quarter of 2022 as aforesaid, decreased at a rate of 13% compared with the corresponding period last year, primarily as a result of the "Iron Swords" war.

**Segmental income, after neutralisation of other income, net, amounted to NIS 20.6 million during the fourth quarter of 2023**, as compared with segmental income after neutralisation of other expenses, net, of NIS 14.9 million in the parallel period of the previous year. The increase in segmental income was primarily due to growth in the wholesale activities of Sa'ar, primarily as a result of the "Iron Swords" war and was partially offset by the effects of the decrease in sales of same stores of Sa'ar and Adidas.

(5) Investment property

Sales turnover amounted to NIS 11.8 million in the reporting period, as compared with NIS 11.3 million in the parallel period of the previous year.

Segmental income amounted to NIS 11.7 million in the reporting period, as compared with NIS 11.2 million in the parallel period of the previous year.

Sales turnover amounted to NIS 3 million in the fourth quarter of 2023, as compared with NIS 2.7 million in the parallel period of the previous year.

Segmental income amounted to NIS 3 million in the fourth quarter of 2023, as compared with NIS 2.6 million in the parallel period of the previous year.

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

The impact of IFRS 16 – Leases on the Consolidated Statement of Profit and Loss - (in NIS Thousands)

| | 1-12/2023 | | 10-12/2023 | |
|---|---|---|---|---|
| | As reported | Without the impact of the implementation of IFRS 16 – Leases | As reported | Without the impact of the implementation of IFRS 16 – Leases |
| Operating loss | (12,389) | (74,732) | (78,524) | (93,385) |
| Financing expenses, net | (211,732) | (122,687) | (50,041) | (28,138) |
| Losses before taxes on income | (224,121) | (197,419) | (128,565) | (121,523) |
| Taxes on income | (11,160) | (11,160) | (3,550) | (3,550) |
| Loss from continuing operations | (235,281) | (208,579) | (132,115) | (125,073) |
| Loss from discontinued operations | (46,377) | (46,377) | (18,908) | (18,908) |
| Net income (loss) | (281,658) | (254,956) | (151,023) | (143,981) |
| Loss attributed to Company shareholders | (101,263) | (90,441) | (79,249) | (72,362) |
| EBITDA | 453,510 | 149,160 | 148,679 | 75,506 |

| | 1-12/2022 | | 10-12/2022 | |
|---|---|---|---|---|
| | As reported | Without the impact of the implementation of IFRS 16 – Leases | As reported | Without the impact of the implementation of IFRS 16 – Leases |
| Operating income | 210,116 | 149,660 | 63,108 | 48,825 |
| Financing expenses, net | (126,532) | (42,088) | (36,269) | (14,483) |
| Income before taxes on income | 83,584 | 107,572 | 26,839 | 34,342 |
| Taxes on income | (28,037) | (28,037) | (8,579) | (8,579) |
| Income from continuing operations | 55,547 | 79,535 | 18,260 | 25,763 |
| Loss from discontinued operations | (11,917) | (11,917) | (7,397) | (7,397) |
| Net earnings | 43,630 | 67,618 | 10,863 | 18,366 |
| Net income attributed to Company shareholders | 102,927 | 122,849 | 15,841 | 23,365 |
| EBITDA | 540,863 | 261,666 | 154,049 | 79,891 |

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

| | For the year ended at 31 December | | For the three months ended at 31 December | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | NIS Thousands | | | |
| **Operating income (loss) as reported** | **(12,389)** | **210,116** | **(78,524)** | **63,108** |
| Additional rental expenses resulting from the neutralisation of the effects of the application of IFRS 16 | (304,350) | (279,197) | (73,173) | (74,158) |
| Net of depreciation effects - IFRS 16 | 248,073 | 218,741 | 62,841 | 59,875 |
| Net of other income due to contract reductions | (6,066) | - | (4,529) | - |
| **Operating income (loss) after neutralisation of IFRS 16 impacts** | **(74,732)** | **149,660** | **(93,385)** | **48,825** |
| Net of effects of financing expenses when applying IFRS 16 | 89,045 | 84,444 | 21,903 | 21,786 |
| **EBITDA as reported** | **453,510** | **540,863** | **148,679** | **154,049** |
| Inclusion of rent expenses | (304,350) | (279,197) | (73,173) | (74,158) |
| **EBITDA after neutralisation of effects of IFRS 16** | **149,160** | **261,666** | **75,506** | **79,891** |

## 6. Liquidity and financing sources (See also Section 19 to Part A of the periodic report.)

The Company's activities are financed by its shareholder equity and by the use of short-term and long-term credit that it receives from banks and others, debentures, bank loans, and credit card discounting. (See also Section 19 to Part A of the periodic report.)

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

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

| | For the period of one year ended at 31 December | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| Cash generated (absorbed) by | | | |
| Current operations | 297,273 | 329,293 | (11,773) |
| Investment operations | (546,765) | (281,653) | 56,946 |
| Cash used in discontinued operations | - | (87,500) | - |
| Financing | 62,420 | 258,918 | (17,172) |
| Exchange differences on cash balances | - | - | 710 |
| Increase in cash and cash equivalents | (187,072) | 219,058 | 28,711 |

### 7.2 Average amount of credit extended to customers as well as credit from suppliers for 2023 and 2022 (in NIS Thousands):

| | Average amount in trade receivables (in NIS Thousands) | |
|---|---|---|
| | 2023 | 2022 |
| Electrical consumer products | 475,690 | 478,100 |
| Electrical retail | 177,983 | 141,802 |
| Retail food | 116,786 | 101,644 |
| Sports and leisure | 40,247 | 28,269 |

| | Average amount in trade payables (in NIS Thousands) | |
|---|---|---|
| | 2023 | 2022 |
| Electrical consumer products | 302,761 | 297,726 |
| Electrical retail | 703,984 | 660,096 |
| Retail food | 868,546 | 697,636 |
| Sports and leisure | 68,702 | 46,220 |

## 7.3. Cash flows from regular operations

Net cash that derived from current operations amounted to NIS 297 million in the reporting period, as compared with net cash deriving from current operations of NIS 329 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 during the reporting that was partially offset by improvements in working capital.

Net cash that derived from current operations amounted to NIS 293 in the fourth quarter of 2023, as compared with net cash derived from current operations of NIS 157 million in the previous year.
The increase in cash flows from current operations in the fourth quarter of 2023 as compared with the parallel period of the previous year primarily derived from an improvement in the working capital items in the fourth quarter of 2023, which was partially offset by a loss in the fourth quarter of 2023, compared to income during the parallel period of the previous year.

## 7.4 Cash flows generated by investment activity

Net cash that was absorbed by investment operations amounted to NIS 547 in the reporting period, as compared with net cash used in investment operations of NIS 282 million in the parallel period of the previous year. The cash that was used for investment operations in the reporting period was primarily used for the acquisition of property, plant, and equipment and other assets in the sum of approximately NIS 487 million, primarily in the food segment, and primarily as a result of the renovation and conversion of stores to Carrefour and investment of cash in short-term deposits, net, in the sum of approximately NIS 99 million, which was partially offset from consideration from disposal of the credit portfolio in the consolidated partnership, amounting to NIS 35 million. The net cash that was used for investment operations the previous year was primarily used for the acquisition of property, plant, and equipment and other assets in the sum of NIS 189 million, primarily in the food segment and primarily as a result of the renovation and conversion of stores to Carrefour, for investment in investment property under construction, and for the acquisition of new companies and operations.

Net cash absorbed by investment operations amounted to NIS 94 million in the fourth quarter of 2023, as compared with net cash that was used in investment operations of NIS 50 million in the parallel period of the previous year. The increase in cash used for investment activities during the fourth quarter of 2023, compared to the parallel period of the previous year, derived primarily from investments in property, plant, and equipment, and other assets, primarily in the retail food sector primarily because of the renovation and conversion of stores to the Carrefour brand.

Additionally, in the parallel period of the previous year, the cash used for investment activities included funds resulting from entering into a partnership in a second-tier subsidiary company.

## 7.5. Cash flows absorbed by financing activity

The net cash that derived from financing activity amounted to NIS 62 million in the reporting period, as compared with net cash generated by financing activity of NIS 259 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 248 million, mainly in the food segment as aforesaid, for the renovation and conversion of branches and their preparation for the launch of Carrefour, from net proceeds from an equity issue in the sum of NIS 124 million, from the issuance of equity to holders of noncontrolling rights in a subsidiary in the sum of NIS 42 million, and from short-term credit from banks in the sum of NIS 56 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 59 million, from redemption of bonds in the sum of NIS 54 million, from repayment of leasing liabilities in the sum of NIS 211 million, from the acquisition of shares from a noncontrolling interest by a consolidated company in the sum of NIS 20 million, from a buyback of Company shares in the sum of NIS 21 million, and from payment of a dividend to noncontrolling interests in a second-tier subsidiary in the sum of NIS 9 million.

The net cash that derived from financing activity in the parallel period in the previous year primarily derived primarily from the receipt of long-term loans and the issuance of bonds offset by repayment of bank loans in the net sum of NIS 395 million and from the receipt of short- and long-term bank loans in the sum of NIS 144 million, and it was partially offset primarily by a dividend that was paid to Company shareholders in the sum of NIS 60 million, the purchase of treasury shares in the sum of NIS 45 million, and the payment of lease liabilities in the sum of NIS 190 million.

Net cash that used in financing activity amounted to NIS 73 million in the fourth quarter of 2023, as compared with net cash deriving from financing activity in the sum of NIS 47 million in the parallel period of the previous year. Cash used for financing activities in the fourth quarter of 2023 was mainly used for repaying bond debts amounting to NIS 54 million, repaying short-term credit from banking corporations amounting to NIS 98 million, settling lease obligations of NIS 50 million, repaying long-term obligations to banks and others totalling NIS 22 million, self-purchasing of the Company's shares for NIS 9 million, and paying dividends to noncontrolling interest holders in a second-tier subsidiary company amounting to NIS 9 million. These were partly offset by net proceeds from issuing share capital of NIS 124 million and from receiving long-term loans from banking corporations and others totalling NIS 44 million. The net cash that derived from financing activity in the fourth quarter of 2022 primarily derived primarily from the receipt of long-term loans and the issuance of bonds offset by repayment of bank and other loans in the net sum of NIS 17 million, from an equity issue to noncontrolling interests in a consolidated company in the sum of NIS 17 million, and from the receipt of short and long-term bank loans in the sum of NIS 100 million, and it was partially offset primarily by a dividend that was paid to Company shareholders in the sum of NIS 30 million, the purchase of treasury shares in the sum of NIS 7 million, and the payment of lease liabilities in the sum of NIS 50 million.

# 8. Exposure to market risks and how they are managed

## 8.1 The person in charge of managing market risks at the Company

Deputy CEO, Mr. Yehonatan Tsabari, who is in charge of the Company's financial affairs, in ongoing consultation with members of the Group's management and in consultation with members of the board of directors, manages the Company's market risk. For details about Mr. Yehonatan Tsabari's education, skills, and experience, see Section 26A to Part D to the periodic report.

## 8.2 Description of market risks

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

Most of the Company's exposure is to changes in exchange rates in light of the fact that the Company purchases some of its products/raw materials in foreign currency and sells them in NIS, as well as in light of the fact that a portion of the subsidiary's sales is in foreign currency and its operating currency is the NIS. The risk inherent in changes in exchange rates is characterised by the Company as low risk because the Company hedges this risk using a variety of financial instruments available in the market. Similarly, in the event of extreme volatility, the Group can adjust the sales prices of its products. For details, see Note 23 to the consolidated financial statements.

## 8.3 The Company's market risk management policy

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

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

## 8.4 Oversight of the risk management policy and how it is implemented

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

The Group makes use of financial instruments for reduction of its exposure to those risks. The Group enters, inter alia, into hedging transactions.

## 8.5 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%; and in the fourth quarter of 2023, the CPI increased by 0.1% (an annual increase of 3% in all of 2023). The forecast of the Bank of Israel's research arm is based on the assumption that the direct economic impact of the war reached its peak in the fourth quarter of 2023, and that it will continue until the end of 2024, but with gradually decreasing intensity. For 2025, the assumption is that there will not be additional material impacts of the war. Moreover, Bank of Israel's assumption is that the lion's share of the war will continue to be limited to Gaza. Naturally, Bank of Israel's forecast is characterised by an especially high level of uncertainty, inter alia, regarding the duration and nature of the war in Gaza, the possibility of an escalation on the northern front, and regarding the decisions that the government will make about the budgetary response to the security and civilian needs arising from the war. The rate of inflation during the next four fiscal quarters ending in the fourth quarter of 2024 is expected to come to 2.4% and in 2025, to 2%. 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 4.75% at the end of 2023, and in January 2024, Bank of Israel began to lower the interest, while as at the reporting date, it stands at 4.5%. According to the Bank of Israel forecast, Israel's monetary interest rate is expected to come to 3.75% or to 4% during the fourth quarter of 2024.

The Company has long-term liabilities to banks and other corporations in the sum of NIS 792 million, which are linked to the prime rate (of which, NIS 514 million is attributed to Global Group), and short-term liabilities to banks in the sum of NIS 206 million, which are linked to the prime rate (of which NIS 80 million is attributed to the Global Group), 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 9 million annually both in terms of the effect on the Company's results as well as in terms of the effect on the Company's cash flows. Additionally, the Company pays property owners rent for its branches and offices that is for the most part linked to the consumer price index. Every additional 1% increase in the consumer price index is expected to increase rental costs by NIS 4 million annually both in terms of the effect on the Company's results as well as in terms of the effect on the Company's cash flows.

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

**We note that the Company's assessments - regarding the possible implications of the increase in the prime interest rate and the increase in the consumer price index on its operations and business - are forward-facing information, as the term is defined in the Securities Law, and are based, inter alia, on Company management's experience in the market (including in situations of economic crisis). Said assessments may not materialise, or may materialise differently, in whole or in part, and even substantially so, from what is forecast as a result of a number of factors that are outside the Company's control and/or are known to it on the reporting date and/or the Company's business environment and/or as a result of the materialisation of all or part of the risk factors as described in Section 25 of Part A of the report.**

# 9. Aspects of corporate governance

## 9.1 Directors with accounting and financial expertise

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

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

## 9.2 Independent directors

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

## 10. Company shares buyback plan

On 10 August 2022, the Company's board of directors approved an additional plan to buy back - from 10 August 2022 and up until 9 August 2025 - up to NIS 100 million of Company shares (the "August 2022 Plan") in lieu of a previous plan to buy back Company shares as previously approved.

In the framework of the August 2022 Plan, the Company, during the reporting period, acquired 277,804 ordinary shares of par value NIS 1 in the Company for total consideration of NIS 21 million. In the framework of the August 2022 Plan, after the date of these financial statements and until 25 March 2024, 56,755 ordinary shares of par value NIS 1 in the Company were acquired for total consideration of NIS 4.5 million.

## 11. Company dividend distribution policy

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

The Company shall distribute a dividend to shareholders at a rate of 50% of its annual net income pursuant to the Company's last consolidated financial statements, subject to the provisions of all law, including the distribution tests pursuant to the Companies Law, 5759-1999, and the financial restrictions and stipulations that were established or that shall be established from time to time in the Company's financing agreements, including the terms of bonds that the Company will issue, if any. (For details regarding the issuance of Series A bonds, see Note 21B to the consolidated financial statements.)

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

## 12. Social responsibility policy

**12.1** As a leading group in its field, the Group is committed to ethical and responsible conduct toward the environment, the community, its customers, its employees, and additional interest holders. The group is involved in and invests in activities, connections, and long-term partnerships with organisations and associations that advance underprivileged adolescents, believing that this can create a significant impact on the community.

### 12.2 Corporate responsibility

As a business group that employs thousands of workers, the Group is bound by the principles of social and environmental corporate responsibility. During the course of 2024, the Group expects to publish its second corporate responsibility statement for 2021-2023.

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

**12.3** Through these projects, the Company encourages its employees to active and ongoing participation based on an understanding that volunteer activities contribute to the workers' connection to society and the community that surrounds us.

## 12.4 Activity channels

(A) The Group works to promote the subject of social responsibility as an integral part of its general strategic and business thinking and regularly holds activities with the participation of executives and employees, such as the

(B) ongoing collaboration with the Elem Association, which works to support at-risk youth all around Israel. This relationship includes ongoing volunteer activities by employees in the association's projects, including ongoing volunteering in the at-risk children and youth club in Kiryat Malachi, as well as a monetary donation.

(C) Another example is the collaboration that combines the donation of products and an ongoing connection with the “Hagal Sheli” Association, which focuses on at-risk youth through surfing and a variety of activities for youth from all across the Israeli social spectrum: Jews, Arabs, secular, religious, immigrants, girls, and boys.

(D) In 2022, the Group adopted, in the framework of a collaboration with the “Adopt a Soldier” programme, the desert patrol battalion, also known as the Bedouin Patrol Battalion. The uniqueness of the battalion derives from the fact that its soldiers are Bedouins and Israeli Arabs, Muslims and Christians, who volunteer to serve in the IDF.

This collaboration commenced in 2022 and includes, inter alia, participation in battalion events and hosting battalion commanders at Electra in order to familiarise them with the Company and its plant and familiarise them with Electra Academy’s training options as a conduit for future integration of the battalion’s combatants.

(E) The Group also donates electrical appliances to entities in need: associations, hospitals, educational institutions, security forces, etc.

(F) The Group works to recruit and integrate special needs employees and established a social venture in the Group's offices that is staffed by employees with special needs for promotion of awareness of this issue.

(G) With respect to activities in the framework of the Gershon Salkind Memorial Scholarship programme, see Note 31E(9) to the financial statements.

## 12.5 Contribution to the community

In 2023, the Group donated a total of NIS 2,022,000. For details about activities of the Gershon Salkind Memorial Scholarship programme, see Note 31E(9) to the annual consolidated financial statements.

## 13. Details relating to substantial valuations that served as a basis for determining the value of data in the periodic report.

As at 31 December 2023, the Company has a very substantial valuation in relation to the recoverable amounts from Global Retail's operations:

Below are details pursuant to Article 8B(I) to the Report Regulations regarding the valuation that was used as a basis in determining the data values in the Company's financial statements:

| | |
|---|---|
| **Valuation subject:** | Recoverable amount from Global Retail's operations |
| **Timing of the valuation:** | 31 December 2023 |
| **Value of the subject of the valuation that was determined pursuant to the valuation:** | NIS 1,069 million. |
| **Valuator information:** | Fahn Kanne Advisors is a subsidiary of Fahn Kanne & Co., CPAs, one of the six largest firms in Israel. Fahn Kanne Advisors is a branch of the global Grant Thornton Advisory Services network, which specialises in guiding transnational transactions; conducting valuations; providing consultation for the execution of transactions; corporate public offerings in capital markets around the world; and advising on project management and finance.<br>The work was performed by CPA Shlomi Bartov, partner and CEO of Fahn Kanne Advisors, who holds a Master of Business Administration (MBA) as well as a Bachelor of Economics and Accounting, both from the Tel Aviv University, and by CPA Roman Falk, a partner in Fahn Kanne Advisors, who holds a Master of Economics and a Bachelor (with honours) of Economics and Accounting, both from Tel Aviv University. The Company executed an undertaking to indemnify the valuator/appraiser. The valuators are not in any way dependent on the Company. |
| **The assessment model used by the valuator:** | The recoverable amount of the cash-generating unit is estimated based on the equity value of Global Retail, as implied by the investment agreement signed between Global Retail and the Company and PFH Group (the "investor"), according to which an investment will be made in Global Retail by the Investor and the shareholders of Global Retail, in a total amount of NIS 180 million. |
| **Assumptions used by the valuator in the valuation:** | The adjustments made to the investment amount include the valuation of the Put option granted to the Investor. The value of the Put option was estimated using the Black-Scholes model. A risk-free interest rate of 3.85% and a standard deviation of 27% were taken into account.<br>As part of the valuation of Global Retail as mentioned, the value of the option for the banking corporations was taken into account and estimated using the Monte Carlo model based on EBIDTA forecasts and the cash flow of Global Retail.<br>For additional details, see the valuation attached to the periodic report. |

In the context of the current impairment review, as at 31 December 2023, the recoverable amount of Global Retail was estimated at NIS 1,069 million, based on the terms of the investment transaction under the investment agreement signed with the Investor near the valuation date. In the previous assessments for 2022 and 2021, the recoverable amount was estimated at NIS 1,034 million and NIS 935 million, respectively, using the income approach, within which the DCF (Discounted Cash Flow) method was applied. The change in the valuation method in the current assessment is due to the fact that an investment transaction in Global shares took place close to the valuation date, from which the total equity value of Global can be derived, and thus the recoverable amount of the cash-generating unit.

# 14. Disclosure with respect to the internal auditor

## 14.1 Replacement of internal auditors

As of 23 January 2023, Ms. Linur Dloomy serves as the Company's internal auditor. Up until 23 January 2023, Mr. Hillel Lavie served as the corporation's internal auditor (the "Outgoing Internal Auditor").[1]

## 14.2 Internal auditor details

A. Ms. Dloomy holds a Bachelor of Business Administration and Accounting from the Academic Track of the College of Management as well as an LLM from Bar-Ilan University. Ms. Dloomy is a CPA and a member of the Institute of Certified Public Accountants in Israel and of the Israel Institute of Internal Auditors and, as of 2001, is engaged in risk management and internal auditing. She is currently the Consulting Division Leader at Deloitte Israel.

B. To the best of the Company's knowledge, Ms. Dloomy meets the conditions established in Sections 3(A) and 8 to the Internal Audit Law, 5752-1992 (the "Internal Audit Law") and Section 146(B) to the Companies Law. Similarly, as of the Reporting Date, Ms. Dloomy does not hold securities of the Company and/or any entity related to it and has no material business or other ties to the Company, or any entity connected to it. Ms. Dloomy is the Company's outsourced internal auditor. In this respect, a "related entity" – as defined in Section 1 to the Fourth Supplement to the Reports Regulations. Ms. Linur Dloomy is the internal auditor for the Company, Electra Ltd., Electra Real Estate Ltd., and Electra Power (2019) Ltd., publicly traded companies that are subsidiaries of Elco Ltd. as well as for Elco Ltd.

## 14.3 How appointed

The appointment of Ms. Dloomy as the Company's internal auditor was approved by the Company's board on 23 January 2023 (after receiving the recommendation of the Audit Committee on that same day). In that resolution and as background to the approval of the above appointment, the directors considered and discussed the details of Ms Dloomy's education, skills, and professional experience, as noted above, and her roles, duties, powers, and obligations in the Company as against the Company's type and size and the scope and complexity of its operations. The internal auditor's first term shall be five years.

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[1] For details about the Outgoing Internal Auditor, including how he was appointed, see the "Disclosure regarding internal auditor" section of Part B (Board of Directors' Report) to the Company's 2021 periodic report (Reference No. 2022-02-022035).

## 14.4 Identity of the person supervising the internal auditor

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

## 14.5 The work plan

The work plan is an annual plan derived from the four-year work plan. The work plan for the internal audit of the Company is determined, inter alia, according to the audit plan risk survey and is also based, inter alia, based on the following considerations: coverage of the Company's primary fields of activity; risk and exposure areas of concern of which the auditor and management are aware; potential for savings and efficiency; turnover; and performance of re-audits to monitor the correction of defects and the implementation of recommendations.

The audit work plan is submitted for review and approval by the Audit Committee.

The internal auditor has the discretion to deviate from the work plan as needed.

During the reporting period, no material transactions as defined in Section 5(f) of the Fourth Addendum to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, were examined.

## 14.6 Audit overseas and/or of investee companies

The multi-year audit plan also refers to material corporations held by the Company through its subsidiaries.

The scope of work is determined according to the risk survey conducted and in accordance with the work plan approved by the Audit Committee.

## 14.7 Scope of employment

Below is an assessment of the scope of the annual audit that was performed by the internal auditor and the staff that is subordinate to her:

| Assessment of the scope of the work by hours for 2023 | | | |
|---|---|---|---|
| | **In the Company** | **In corporations held by the Company** | **Total** |
| With respect to activities in Israel | 20 | 2,637 | 2,657 |
| With respect to activities overseas | - | - | - |
| Total | 20 | 2,637 | 2,657 |

The internal auditor's work plan is an annual plan derived from the four-year work plan, but, in practice, the scope of the annual audit hours may change from year to year, according to audit objectives.

## 14.8 Conducting the audit

A. The internal auditor conducts her audit pursuant to accepted professional standards as set forth in Section 4(B) to the Internal Audit Law and professional guidelines that were approved and published by the Israel Institute of Internal Auditors and as set forth in the Companies Law.

B. To the best of the knowledge of the Company's board of directors, based on the internal auditor's statements, the internal auditor meets the requirements set forth in the professional standards.

## 14.9 Access to information

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

## 14.10 The internal auditor's report

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

B. During the course of 2023 and up to the reporting date, there were five meetings of the Audit Committee at which the results of the risk survey for determining a multi-year audit plan and the findings of the internal auditor were discussed. The meetings were held on the following dates: 28 March 2023, 18 May 2023, 27 July 2023, 20 September 2023, and 4 March 2024.

## 14.11 The board of directors' assessment of the internal auditor's activities

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

## 14.12 Compensation

A. The internal auditor is an outside service provider for the Company, and thus, her services are provided to the Company annually and her payment, according to the terms of the engagement with Deloitte Israel, is approved once annually by the competent parties. The internal auditor's payment is calculated according to the actual auditing hours that she invested and at the hourly rate agreed upon with her in advance. It is the assessment of the board of directors that the internal auditor's compensation does not impact her professional judgement.

B. The Outgoing Internal Auditor was a salaried employee of Elco Ltd., and his services were provided to the Company in the framework of the management agreement between the Company and Elco Ltd.

C. It is the assessment of the board of directors that the Outgoing Internal Order's compensation did not impact his professional judgement.

# 15. Disclosure regarding the auditors' fees

The Company's and the substantial consolidated companies' auditors in 2023 and 2022 are Kost Forer Gabbay and Kasierer, Certified Public Accountants.

| ECP Group 2023 Fees – The Company and Wholly Owned Investee Companies - In NIS Thousands | | ECP Group 2023 Fees – The Company and Partially Owned Investee Companies - In NIS Thousands (*) | |
|---|---|---|---|
| Audit, tax, and ancillary services | Other services | Audit, tax, and ancillary services | Other services |
| 3,601 | 855 | 3,029 | 2,115 |

| ECP Group 2022 Fees – The Company and Wholly Owned Investee Companies - In NIS Thousands | | ECP Group 2022 Fees – The Company and Partially Owned Investee Companies - In NIS Thousands | |
|---|---|---|---|
| Audit, tax, and ancillary services | Other services | Audit, tax, and ancillary services | Other services |
| 3,797 | 1,067 | 2,841 | 2,177 |

(*) Does not include the sum of approximately NIS 1,981 thousand for a prospectus draft for issuance and related services, and services in connection with discontinued operations (2022 - NIS 1,950 thousand).

Members of the Audit Committee reviewed the auditors' fees and were persuaded that the scope of the work hours that were required by the auditors was acceptable, and their fees constituted fair remuneration for the scope of the work. Upon the recommendation of the Audit Committee, the Company's board of directors approved the auditors' fees. The Company's board of directors accepted the Audit Committee's recommendations and approved the auditors' fees for 2023.

## 16. Financial benchmarks

The table below sets forth the various criteria that the Company undertook with respect to bondholders and the calculation of whose results is accurate as at 31 December 2023:

| Security | Balance of the par value of the security in circulation (in NIS Thousands) | | Financial benchmark | Actual benchmark as at 31.12.2023 |
|---|---|---|---|---|
| | as at 31 December 2023 | Immediately prior to reporting date | | |
| (Series A) Bonds/Debentures | 374,609 | 574,040 | Tangible equity – the Company's "solo" tangible equity at the end of the review period (as defined in the trust deed) shall not be less than NIS 350 million. | NIS 632 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 trust deed) shall not exceed 67%. | 13.45% |

# 17. Company bond information

## 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)<br>17 August and 20 December 2022, in the framework of private offerings to classified investors(3)<br>21 January 2024, pursuant to a shelf-offering report;(3) |
| 2. | Total par value on the date of issue(2)<br>Total par value on the dates that the series was expanded(3) | NIS 250 million par value<br>NIS 100 million par value; NIS 78.125 million par value; NIS 199.431 million par value |
| 3. | Par value balance as at 31 December 2023 | NIS 374.609 million par value |
| 4. | Par value balance on the reporting date | NIS 574.040 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 interest accrued on the books as at 31 December 2023 | - (4) |
| 7. | Stock market value as at 24 March 2024 | NIS 523.8 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 were and/or are payable (as applicable) 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 was 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.<br>Additionally, as of the report date, to the best of the Company's knowledge, the Company has not breached its obligations as established in the (Series A) bonds' trust deed, and no conditions have occurred that establish cause for calling the above bonds due for immediate repayment. |
| 16. | Is the Company required by the trustee to perform various actions, including calling meetings of bondholders? | No |
| 17. | Details of guarantees/liens | None |
| **Details about the trustee for the holders of (Series A) bonds** | | |
| 1. | Trustee name | Mishmeret Trust Company Ltd. |
| 2. | Bond Administrator | Mr. Rami Sabati, CPA |
| 3. | Contact information | 48 Menachem Begin Blvd., Tel Aviv, Telephone: 03-6374351, Fax: 03-6374344, email address: RamiS@mtrust.co.il |
| **Details about the (Series A) bond rating** | | |
| 1. | Name of rating company as of the report date | Standard & Poors Maalot Ltd. ("Maalot") |
| 2. | Rating determined on the date of issue | 'ilAA-' (January and February 2022) |
| 3. | Rating on the report publication date | 'ilAA-' (January 2024)(5) |
| 4. | Additional ratings between the date of issue and the report date | 'ilAA-' (August, September, and December 2022, August 2023, and January 2024) |

(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 thousand par value of the Company's (Series A) bonds.
(3) On 17 August and 20 December 2022, the Company made a private offering to classified investors in the sum of NIS 100 million par value and NIS 78.125 million par value, respectively, of (Series A) Company bonds by way of expanding a series (reference numbers: 2022-01-084156 and 2022-01-120543, respectively). On 17 January 2024, the Company published a shelf-offering report (reference number: 2024-01-006388), in which the Company issued NIS 199,431,000 par value of the Company's (Series A) bonds by way of a series expansion.
(4) As at 31 December 2023, the full balance of accrued interest has been paid. The amount accrued in interest as at 25 March 2024 is NIS 2,800,000.
(5) See the Company's immediate report dated 16 January 2024 (reference number: 2024-01-005641), 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 31 December 2023, the Company listed, in its consolidated financial statements, negative working capital (net) (current assets less current liabilities) in the sum of approximately NIS 937 million and negative (net) operating capital - which characterises retail operations such as the Company’s - in the sum of approximately NIS 189 million. Similarly, as at that date, the Company has a negative working capital (net) (current assets less current liabilities) of approximately NIS 10 million and a negative operating capital (net), according to the Company’s separate (solo) financial data, of approximately NIS 1 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. Events after the balance sheet date

For details, see Note 32 to the financial statements regarding events after the end of the reporting period.

# Appendix A – Linkage-based report as at 31 December 2023, in NIS Thousands:

| | Dollars | Euro | Total foreign currency | Unlinked | Linked | Non-monetary | Total |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Cash and cash equivalents | 27,602 | 31,758 | 59,360 | 317,058 | - | - | 376,418 |
| Short-term deposits and investments | - | - | - | 104,578 | - | - | 104,578 |
| Trade receivables | 1,898 | 32,946 | 34,844 | 613,353 | - | - | 648,197 |
| Other receivables | 3,966 | 3,012 | 6,978 | 59,663 | 3,376 | 17,761 | 87,778 |
| Inventory | - | - | - | - | - | 969,275 | 969,275 |
| Long-term other receivables | - | 2,066 | 2,066 | 5,825 | 3,014 | - | 10,905 |
| Investments in companies treated at equity | - | - | - | - | - | 12,280 | 12,280 |
| Investment property | - | - | - | - | - | 327,658 | 327,658 |
| Investment property under construction | - | - | - | - | - | 52,800 | 52,800 |
| Property, plant, and equipment, net | - | - | - | - | - | 648,894 | 648,894 |
| Right-of-use assets, land | - | - | - | - | - | 64,096 | 64,096 |
| Right-of-use assets, other | - | - | - | - | - | 1,626,065 | 1,626,065 |
| Goodwill | - | - | - | - | - | 1,934,689 | 1,934,689 |
| Intangible assets | - | - | - | - | - | 115,849 | 115,849 |
| Deferred taxes | - | - | - | - | - | 29,594 | 29,594 |
| Total assets | 33,466 | 69,782 | 103,248 | 1,100,477 | 6,390 | 5,798,961 | 7,009,076 |
| Liabilities | | | | | | | |
| Credit from banks and others | - | - | - | 345,699 | - | - | 345,699 |
| Current maturities of bonds | - | - | - | 50,083 | - | - | 50,083 |
| Current maturities of leasing liabilities | - | - | - | - | 241,565 | - | 241,565 |
| Trade payables | 84,600 | 107,606 | 192,206 | 1,614,582 | - | - | 1,806,788 |
| Other payables | 938 | 22,222 | 23,160 | 393,545 | 23,365 | 238,637 | 678,707 |
| Loans from banks and others | - | - | - | 651,940 | - | - | 651,940 |
| Bonds/Debentures | - | - | - | 311,129 | - | - | 311,129 |
| Leasing liabilities | - | - | - | - | 1,676,820 | - | 1,676,820 |
| Other non-current liabilities | - | 10,952 | 10,952 | 40,401 | - | 116,233 | 167,586 |
| Employee benefit liabilities, net | - | - | - | - | - | 33,432 | 33,432 |
| Deferred taxes | - | - | - | - | - | 42,849 | 42,849 |
| Total liabilities | 85,538 | 140,780 | 226,318 | 3,407,379 | 1,941,750 | 431,151 | 6,006,598 |
| Balance of the exposure of assets (liabilities) to results | (52,072) | (70,998) | (123,070) | (2,306,902) | (1,935,360) | 5,367,810 | 1,002,478 |

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

**Zvika Schwimmer,**
**Chief Executive Officer**

Date: 25 March 2024

## Consolidated Statements of Financial Position

| | Note | As at 31 December 2023 | As at 31 December 2022 |
|---|---|---|---|
| | | NIS Thousands | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 376,418 | 563,490 |
| Short-term deposits and investments | 7 | 104,578 | 671 |
| Trade receivables | 8 | 648,197 | 718,361 |
| Other receivables | 9 | 87,778 | 115,145 |
| Inventory | 10 | 969,275 | 792,103 |
| | | 2,186,246 | 2,189,770 |
| Non-current assets | | | |
| Long-term other receivables | | 10,905 | 20,883 |
| Investment in companies treated at equity | 11C | 12,280 | - |
| Investment property | 12 | 327,658 | 326,616 |
| Investment property under construction | 13 | 52,800 | 29,179 |
| Property, plant, and equipment, net | 14 | 648,894 | 319,802 |
| Right-of-use assets, land | 15A | 64,096 | 64,774 |
| Right-of-use assets, other | 15B | 1,626,065 | 1,635,893 |
| Goodwill | 16 | 1,934,689 | 1,958,263 |
| Intangible assets | 16 | 115,849 | 129,362 |
| Deferred taxes | 25E | 29,594 | 21,928 |
| | | 4,822,830 | 4,506,700 |
| | | 7,009,076 | 6,696,470 |

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Financial Position

| | Note | As at 31 December 2023 | 2022 |
|---|---|---|---|
| | | NIS Thousands | |
| Current liabilities | | | |
| Credit from banks and others | 17 | 345,699 | 219,093 |
| Current maturities of bonds | 21 | 50,083 | 49,579 |
| Current maturities of leasing liabilities | 15B | 241,565 | 206,804 |
| Trade payables | 18 | 1,806,788 | 1,607,276 |
| Other payables | 19 | 678,707 | 575,036 |
| | | 3,122,842 | 2,657,788 |
| Non-current liabilities | | | |
| Loans from banks and others | 20 | 651,940 | 549,955 |
| Bonds/Debentures | 21 | 311,129 | 361,213 |
| Leasing liabilities | 15B | 1,676,820 | 1,680,804 |
| Other liabilities | 22 | 167,586 | 145,958 |
| Employee benefit liabilities, net | 24 | 33,432 | 32,732 |
| Deferred taxes | 25E | 42,849 | 44,212 |
| | | 2,883,756 | 2,814,874 |
| Equity | | | |
| Equity attributed to Company shareholders | | 632,087 | 671,960 |
| Non-controlling interests | | 370,391 | 551,848 |
| Total equity | | 1,002,478 | 1,223,808 |
| | | 7,009,076 | 6,696,470 |

| 25 March 2024 | | | |
|---|---|---|---|
| Date of approval of the financial statements | Daniel Salkind<br>Chair of the Board of Directors | Zvika Schwimmer<br>Chief Executive Officer | Yehonatan Tsabari<br>Deputy CEO, Head of Finance |

The accompanying notes are an integral part of the financial statements.

## Consolidated Statement of Profit and Loss

| | Note | For the year ended at 31 December 2023 | 2022 **) | 2021 |
|---|---|---|---|---|
| | | NIS Thousands | | |
| Revenues from sales and provision of services | 28A | 6,504,971 | 6,180,309 | 4,648,546 |
| Cost of sales and provision of services | 28B | (4,669,738) | (4,357,960)*) | (3,354,311)*) |
| Gross profit | | 1,835,233 | 1,822,349 | 1,294,235 |
| Selling and marketing expenses | 28C | (1,631,638) | (1,469,270) *) | (983,351) *) |
| Administrative and general expenses | 28D | (94,117) | (101,432) | (80,718) |
| Research and development expenses | 28E | (8,035) | (5,188) | (6,231) |
| Group's share in losses of companies that are treated according to the equity method, net | | (962) | (140) | - |
| Operating income before other income (expenses), net, and reorganisation expenses | | 100,481 | 246,319 | 223,935 |
| Other income (expenses), net | 28F | (61,112) | 15,627 | 41,664 |
| Reorganisation expenses | 28G | (51,758) | (51,830) | - |
| Operating profit (loss) after other income (expenses) and reorganisation expenses | | (12,389) | 210,116 | 265,599 |
| Financing income | 28H | 11,208 | 3,400 | 6,555 |
| Financing expenses | 28H | (222,940) | (129,932) | (68,681) |
| Profit (loss) before taxes on income | | (224,121) | 83,584 | 203,473 |
| Taxes on income | 25F | (11,160) | (28,037) | (31,597) |
| Net income (loss) from continuing operations | | (235,281) | 55,547 | 171,876 |
| Loss from discontinued operations | 29 | (46,377) | (11,917) | - |
| Net income (loss) | | (281,658) | 43,630 | 171,876 |
| Net income (loss) attributable to: | | | | |
| Company shareholders | | (101,263) | 102,927 | 164,113 |
| Non-controlling interests | | (180,395) | (59,297) | 7,763 |
| | | (281,658) | 43,630 | 171,876 |
| Base net income (loss) per share attributed to Company shareholders (in NIS) | | | | |
| Profit (loss) from continuing operations | | (4.05) | 4.83 | 7.47 |
| Loss from discontinued operations, net | | (0.63) | (0.09) | - |
| Net income (loss) | | (4.68) | 4.74 | 7.47 |
| Diluted net income (loss) per share attributed to Company shareholders (in NIS) | | | | |
| Profit (loss) from continuing operations | | (4.05) | 4.74 | 7.33 |
| Loss from discontinued operations, net | | (0.63) | (0.09) | - |
| Net income (loss) | | (4.68) | 4.65 | 7.33 |
| Weighted number of shares used in calculating base net income (loss) per share | | 21,631,673 | 21,733,811 | 21,979,919 |
| Weighted number of shares used in calculating diluted net income (loss) per share | | 21,631,673 | 22,137,382 | 22,374,761 |

*) Reclassified.
**) Reclassified with respect to discontinued operations; see Note 29.

The accompanying notes are an integral part of the financial statements.

## Consolidated Statement of Comprehensive Income

| | For the year ended at 31 December | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS Thousands | | |
| Net income (loss) | (281,658) | 43,630 | 171,876 |
| Other comprehensive income (loss) (after tax): | | | |
| Sums that will not later be reclassified to profit or loss: | | | |
| Profit (loss) from remeasurement for defined benefit plans | (1,396) | 3,073 | (28) |
| Amounts that will be classified or are reclassified to profit or loss upon specific conditions being met: | | | |
| Adjustments from translation of financial statements of foreign operations | - | - | (322) |
| Transfer to profit or loss from sale of foreign operations | - | - | 8,357 |
| Transfer to statement of profit and loss with respect to cash flow hedging transactions | 4,676 | - | (1,345) |
| Profit (loss) with respect to cash flow hedging transactions | (7,365) | 521 | 3,687 |
| Total other comprehensive income (loss) | (4,085) | 3,594 | 10,349 |
| Total comprehensive income (loss) | (285,743) | 47,224 | 182,225 |
| Comprehensive profit (loss) attributable to: | | | |
| Company shareholders | (106,286) | 108,119 | 175,178 |
| Non-controlling interests | (179,457) | (60,895) | 7,047 |
| | (285,743) | 47,224 | 182,225 |

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Changes in Equity

| | Attributable to Company shareholders | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | 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 |
| | NIS Thousands | | | | | | | | | | | |
| Balance as at 1 January 2023 | 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 | - | - | - | - | - | - | (464) | (4,559) | (101,263) | (106,286) | (179,457) | (285,743) |
| Issue of share capital | 1,760 | 121,973 | - | - | - | - | - | - | - | 123,733 | - | 123,733 |
| Equity issue to holders of non-controlling interests in a consolidated company | - | - | - | - | - | - | - | - | - | - | 41,564 | 41,564 |
| Cost of share-based payments | - | - | - | - | - | 4,385 | - | - | - | 4,385 | 324 | 4,709 |
| Buyback of Company shares | - | - | (21,022) | - | - | - | - | - | - | (21,022) | - | (21,022) |
| Exercise of options | 117 | 1,529 | - | - | - | (1,529) | - | - | - | 117 | - | 117 |
| Transaction with holders of non-controlling interests | - | - | - | - | (5,800) | - | - | - | - | (5,800) | (44,200) | (50,000) |
| Non-controlling interests created in a company consolidated for the first time | - | - | - | - | - | - | - | - | - | - | 3,100 | 3,100 |
| 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) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (7,498) | (7,498) |
| Balance as at 31 December 2023 | 75,027 | 554,163 | (132,214) | 4,362 | (34,927) | 12,167 | (2,788) | (2,484) | 158,781 | 632,087 | 370,391 | 1,002,478 |

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Changes in Equity

| | Attributable to Company shareholders | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | 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 |
| | NIS Thousands | | | | | | | | | | | |
| <u>Balance as at 1 January 2022</u> | 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) |
| Transaction 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 non-controlling interests | - | - | - | - | - | - | - | - | - | - | (2,499) | (2,499) |
| <u>Balance as at 31 December 2022</u> | 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 are an integral part of the financial statements.

## Consolidated Statements of Changes in Equity

| | Attributable to Company shareholders | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Treasury shares | Capital reserve with respect to transactions with controlling shareholders | Capital reserve with respect to transactions with holders of non-controlling interests | Adjustments from translation of financial statements | Capital reserve with respect to share-based payments | Capital reserve with respect to remeasurement of defined benefit plans | Capital reserve for hedging transactions | Retained earnings | Total | Non-controlling interests | Total equity |
| | NIS Thousands | | | | | | | | | | | | |
| Balance as at 1 January 2021 | 73,150 | 430,661 | (58,468) | 4,362 | (2,659) | (8,035) | 2,680 | (5,813) | (2,658) | 158,004 | 591,224 | 31,985 | **623,209** |
| Total comprehensive income | - | - | - | - | - | 8,035 | - | 688 | 2,342 | 164,113 | 175,178 | 7,047 | **182,225** |
| Cost of share-based payments | - | - | - | - | - | - | 1,911 | - | - | - | 1,911 | - | **1,911** |
| Buyback of Company shares | - | - | (7,343) | - | - | - | - | - | - | - | (7,343) | - | **(7,343)** |
| Non-controlling interests created in companies consolidated for the first time | - | - | - | - | - | - | - | - | - | - | - | 496,806 *) | **496,806** |
| Dividends paid to Company shareholders | - | - | - | - | - | - | - | - | - | (70,000) | (70,000) | - | **(70,000)** |
| Balance as at 31 December 2021 | 73,150 | 430,661 | (65,811) | 4,362 | (2,659) | - | 4,591 | (5,125) | (316) | 252,117 | 690,970 | 535,838 | **1,226,808** |

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Cash Flows

| | For the year ended at 31 December | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS Thousands | | |
| Cash Flows from Current Operations | | | |
| Net income (loss) | (281,658) | 43,630 | 171,876 |
| Adjustments required for presenting cash flows from current operations: | | | |
| Adjustments to profit and loss items: | | | |
| Depreciation and amortisation | 357,433 | 295,790 | 194,199 |
| Impairment of intangible assets and goodwill | 98,303 | - | 131 |
| Improvement of investment property | (350) | (30,505) | (51,117) |
| Impairment of investment property under construction | 7,457 | 2,506 | - |
| Cost of share-based payment | 4,709 | 6,937 | 1,911 |
| Loss from disposal of operations | - | - | 6,332 |
| Capital gain from sale of consolidated partnership credit portfolio | (34,242) | - | - |
| Capital loss from disposal of property, plant, and equipment | 1,017 | 5,142 | 5,774 |
| Company's share in losses of companies treated according to balance sheet value, net | 962 | 140 | - |
| Deferred taxes, net | (7,068) | 6,105 | (13,226) |
| Change in employee benefit liabilities, net | (599) | (2,007) | 3,898 |
| Provision for impairment of property, plant, and equipment and right-of-use assets | 26,399 | 37,807 *) | - |
| Capital gain from decrease in control of previously consolidated partnership | (4,337) | - | - |
| Other adjustments | (12) | (5,771) *) | (15,162) |
| | 449,672 | 316,144 | 132,740 |
| Changes in assets and liabilities items: | | | |
| Decrease (increase) in trade receivables (including long-term receivables) | 66,585 | (33,996) | (46,866) |
| Decrease (increase) in other receivables | 16,200 | (40,365) | 21,373 |
| Decrease (increase) in inventory | (176,217) | 74,195 | (234,051) |
| Increase (decrease) in trade payables | 216,138 | (16,107) | (40,101) |
| Increase (decrease) in other payables | 6,553 | (14,208) | (16,744) |
| | 129,259 | (30,481) | (316,389) |
| Net cash from (used for) current operations | 297,273 | 329,293 | (11,773) |

*) Reclassified.

## Consolidated Statements of Cash Flows

| | For the year ended at 31 December | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS Thousands | | |
| Cash flow from investment activities | | | |
| Acquisition of property, plant, and equipment | (472,245) | (177,221)*) | (71,150) *) |
| Purchase of intangible assets | (14,799) | (11,852) *) | (15,520) *) |
| Payment of capitalised leasing fees and land levies | - | (9,118) | (7,027) |
| Capitalisation of costs recognised in investment property and investment property under construction | (3,493) | (4,217) | (2,173) |
| Proceeds from sale of consolidated partnership credit portfolio | 35,450 | - | - |
| Payment of (investment in) short-term deposits, net | (99,045) | - | 100,149 |
| Investment in marketable securities | - | - | (70,964) |
| Deferred proceeds from disposal of investment in previously consolidated company | - | 4,791 | 2,479 |
| Consideration on account of disposal of investment property | - | - | 24,063 |
| Proceeds from disposal of property, plant, and equipment | 2,718 | 746 | 602 |
| Repayment of previously consolidated company loans | - | 3,528 | - |
| Acquisition of investment property under construction | - | (28,161) | - |
| Proceeds from redemption and sale of marketable securities | 563 | 3,438 | 88,299 |
| Other investments, net | (200) | (8,200) | (1,220) |
| Cash released from escrow in the acquisition of a subsidiary | 5,000 | 5,000 | - |
| Net payment for consolidated operations | - | (49,660) | - |
| Acquisition of companies consolidated for the first time (A) | - | (10,727) | 4,941 |
| Net proceeds from disposal of investment in previously consolidated companies (B) | (714) | - | 4,467 |
| Net cash from (used for) investment operations | (546,765) | (281,653) | 56,946 |
| Cash used in discontinued investment operations | - | (87,500) | - |
| Cash flows from financing operations | | | |
| Net proceeds from issuance of share capital | 123,850 | - | - |
| Dividends paid to Company shareholders | (35,000) | (60,000) | (70,000) |
| Dividends paid to non-controlling interests | (8,998) | (2,499) | - |
| Repayment of bonds | (53,516) | - | - |
| Issuance of bonds less cost of issuance | - | 409,784 | - |
| Receipt of long-term loans from banks and others | 247,730 | 190,000 | 610,000 |
| Repayment of long-term loans from banks and others | (59,091) | (205,025) | (231,114) |
| Payment of liability to Mega trustees | - | - | (84,345) |
| Buyback of Company shares | (21,022) | (45,381) | (7,343) |
| Equity issuance in consolidated companies to non-controlling interests | 41,564 | 17,486 | - |
| Investment in consolidated partnership equity by non-controlling interests | 1,960 | - | - |
| Buyback of shares from holder of non-controlling interests | (20,000) | - | - |
| Payment of leasing liabilities | (211,041) | (189,628) | (115,966) |
| Short-term bank credit, net | 55,984 | 144,181 | (118,404) |
| Net cash from (used for) financing activity | 62,420 | 258,918 | (17,172) |
| Exchange differences for cash and cash-equivalent balances | - | - | 710 |
| Increase (decrease) in cash and cash equivalents | (187,072) | 219,058 | 28,711 |
| Balance of cash and cash equivalents at beginning of year | 563,490 | 344,432 | 315,721 |
| Balance of cash and cash equivalents at end of year | 376,418 | 563,490 | 344,432 |

*) Reclassified.

## Consolidated Statements of Cash Flows

| | | For the year ended at 31 December | | |
|---|---|---|---|---|
| | | 2023 | 2022 | 2021 |
| | | NIS Thousands | | |
| (A) | Acquisition of companies consolidated for the first time | | | |
| | Assets and liabilities as at purchase date: | | | |
| | Working capital (other than cash and cash equivalents), net | 44,595 | 9,768 | 821,930 |
| | Long-term receivables | - | - | (15,011) |
| | Property, plant, and equipment | (6,028) | (3,436) | (95,840) |
| | Right-of-use assets | 15,440 | (1,901) | (1,378,303) |
| | Intangible assets | - | (22,761) | (79,353) |
| | Goodwill | (62,586) | (55,407) | (1,705,664) |
| | Deferred tax liabilities, net | - | 2,075 | 5,262 |
| | Loans from banks and others and bank credit | - | 13,065 | 338,776 |
| | Leasing liabilities | - | 1,789 | 1,569,813 |
| | Other non-current liabilities | 5,479 | 12,848 | 28,961 |
| | Employee benefit liabilities, net | - | - | 17,564 |
| | Capital reserve from a transaction with non-controlling interests | - | 3,786 | - |
| | Non-controlling interests | 3,100 | 29,447 | 496,806 |
| | | - | (10,727) | 4,941 |
| (B) | Proceeds from disposal of investment in previously consolidated companies and partnerships | | | |
| | Consolidated company's assets and liabilities as at date of sale: | | | |
| | Working capital (other than cash and cash equivalents), net | 2,065 | - | 13,298 |
| | Long-term receivables | - | - | 248 |
| | Property, plant, and equipment | 442 | - | 1,393 |
| | Intangible assets | - | - | 3,631 |
| | Goodwill | 9,875 | - | - |
| | Investments in the Company accounted for at equity | (13,383) | - | - |
| | Credit from banks and others | - | - | (2,848) |
| | Long-term bank loan | - | - | (5,478) |
| | Other non-current liabilities | (6,800) | - | (669) |
| | Non-controlling interests | 2,750 | - | - |
| | Capital gain from disposal of previously consolidated companies and partnerships | 4,337 | - | 2,025 |
| | Receivables from disposal of investment in a consolidated company | - | - | (7,133) |
| | | (714) | - | 4,467 |

## Consolidated Statements of Cash Flows

| | | For the year ended at 31 December | | |
|---|---|---|---|---|
| | | 2023 | 2022 | 2021 |
| | | NIS Thousands | | |
| (C) | Significant non-cash activities | | | |
| | Acquisition of property, plant, and equipment and intangible assets using credit | 35,834 | 62,373 | 14,768 |
| | Increase in right-of-use asset against leasing liabilities | 305,865 | 373,729 | 128,806 |
| | Short-term payables for buyback of shares from non-controlling interests by a consolidated company | 30,000 | - | - |
| | Non-controlling interests deriving from a business combination in a second-tier subsidiary | 3,100 | - | - |
| | Deferred proceeds in respect of a business consolidation | 54,178 | - | - |
| (D) | Additional information on cash flows | | | |
| | Cash paid over the course of the year for: | | | |
| | Interest | 190,798 | 125,915 | 67,360 |
| | Taxes on income | 49,623 | 68,381*) | 45,304 |
| | Taxes paid on the sale of discontinued operations | - | 87,500*) | |
| | Cash received over the course of the year for: | | | |
| | Interest | 12,522 | 3,091 | 1,750 |
| | Taxes on income | 16,283 | 10,139 | 9,579 |

*) Reclassified.