



Financial Statements as of 30 June 2022

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 30 June 2022 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 Consumer Products
Israel's Leading Brands



Electra Consumer Products (1970) Ltd. in Numbers



3B

Revenues



236K .sq. m

Commercial space



3.3B

Market value



249M

EBITDA



67M

Net income attributable
to shareholders



60M

Dividend declared
and paid



1.2B

Company equity



6.4B

Total Company
balance sheet



iiAA-

S&P Rating



422M

Financial debt
(without IFRS-16)



292

Branches



6.6K

Number of employees

Electra Consumer Products (1970) Ltd.

Board of Directors Report

For the six months ended at 30 June 2022

The board of directors of Electra Consumer Products (1970) Ltd. respectfully submits the Board of Directors Report on the Company's and its consolidated companies' business affairs (hereinafter: the "**Group**") for the six-month period ended at 30 June 2022 (hereinafter: the "**Reporting Period**"). The review, which is presented below, is of a limited scope and relates to events and changes that occurred in the Company's affairs during the Reporting Period, and it should be examined together with the periodic report for the year ended at 31 December 2021 (the "**Company's 2021 Periodic Report**").

1. General

1.1 Description of the Group's business

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

1.2 Description of the Company's business environment and trends

The Company's results for the six months ended at 30 June 2022 were characterised by the commencement of operations in additional segments, starting in the second quarter of 2021.

The Company's results during the Reporting Period as well as during the second quarter of 2022 reflect an increase in revenues for the second quarter and first half of 2022, amounting to NIS 1,523,448,000 and NIS 2,973,938,000, respectively, compared to NIS 898,188,000 and NIS 1,595,432,000 during the previous year, respectively.

During the Reporting Period, there was an increase in operating income

amounting to NIS 142,842,000, compared to NIS 132,920,000 during the parallel period of the previous year. After neutralising the impact of other income, operating income, net, amounted to NIS 109,593,000, as compared with NIS 91,378,000 in the parallel period of the previous year. Operating income reflects a decrease and amounted to approximately NIS 57,127,000 in the second quarter of 2022, as compared with NIS 87,454,000 in the parallel period of the previous year. After neutralising other income, net, in the sum of approximately NIS 45,000,000 in the second quarter of the previous year that had primarily derived from the sale of half of the investment property owned by the Company to the Reality Fund, operating income amounted to NIS 54,857,000, compared to NIS 42,933,000 the previous year.

The Company's EBITDA in the Reporting Period and in the second quarter of 2022 grew and amounted to NIS 248,797,000 and NIS 124,260,000, respectively, compared to NIS 143,212,000 and NIS 76,010,000 in the parallel periods of the previous year, respectively. Most of the increase in the Company's EBITDA derived from improved results from the electrical consumer products segment and consolidation of the food segment.

The Company's income before taxes on income in the Reporting Period and in the second quarter of 2022 reflects a decrease and amounted to NIS 79,303,000 and NIS 20,092,000, respectively, compared to NIS 124,970,000 and NIS 78,362,000 in the parallel period of the previous year, respectively. This decrease in income before taxes primarily derived from other income, net, as noted above, and the food segment's results.

Net income in the Reporting Period and in the second quarter of 2022 amounted to NIS 53,508,000 and NIS 11,628,000, respectively, and reflects a decrease compared to NIS 97,700,000 and NIS 62,096,000 in the parallel periods of the previous year, respectively. After neutralising other income, net, both in the Reporting Period as well as for the second quarter of 2022, compared to the parallel periods the previous year, and after neutralising the results of the food segment in the above periods, net income during the second quarter of 2022 and in the Reporting Period amounted to NIS 21,046,000 and NIS 57,229,000, respectively, compared to NIS 25,955,000 and NIS 63,853,000 in the parallel periods of the previous year, respectively.

Net cash deriving from current operations during the Reporting Period and during the second quarter of 2022 amounted to the sum of NIS 162,556,000 and the sum of NIS 79,861,000, respectively, as compared with net cash used in current operations in the sum of NIS 99,539,000 and the sum of NIS 79,011,000, respectively, during the parallel period of the previous year. The increase in cash flows from current operations during the Reporting Period as compared with the parallel period of the previous year primarily derived from an improvement in EBITDA in the electrical consumer products segment and an improvement in working capital balances during the Reporting Period and the second quarter of 2022.

In light of the food segment's results and with the replacement of the CEO of

Bitan Wines in July 2022, as set forth in Note 10B to the Interim Consolidated Financial Statements, Bitan Wines' management began preparing a reorganization and streamlining plan that it intends to implement incrementally starting in August 2022 in order to establish a commercial and operational foundation for growth, strengthening competitive ability, dealing with market challenges, implementing the Carrefour brand as optimally as possible, etc.

1.3 Principal events during the Reporting Period

1.3.1 **Changes to the Group's structure**

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

- a. On 22 March 2021, the Company's board of directors approved the Company's engagement in a splitting agreement (the "**Agreement**") between the Company and ECP 51 and the company that was established on 28 April 2021 ("**Electra Retail**"). Under that agreement, the electrical retail operations and food retail operations would be split into Electra Retail for no consideration, and the split-up would be tax-exempt pursuant to Section 105A(1) to the Income Tax Ordinance. After the completion of the transfer of the electrical and food retail operations, Electra Retail would be the full owner and exclusive holder of the electric and food retail operations, all valid for tax purposes as at 30 June 2021 subject to the fulfillment of the conditions precedent set forth in the Agreement. On 28 November 2021, the Israel Tax Authority's approval was obtained to split the electric and food retail operations as described above. During the Reporting Period, the conditions precedent that were established in the Agreement, which were, primarily, the banks' consent to such split, were met.
- b. In February 2022, as part of the restructuring that the Company elected to make, ECP 51 and Electra Retail executed an agreement for the transfer of shares in Sa'ar A.T. Enterprises & Trading Ltd., under which the sports and leisure operations are consolidated (hereinafter: "**Sa'ar**"), which shares were held by ECP 51, to Electra Retail in consideration of their fair value based on an internal valuation study that the Company conducted that was based, *inter alia*, on the temporal proximity of ECP 51's acquisition of Sa'ar shares.
- c. In February 2022, as part of the restructuring that the Company elected to make, the Company, ECP 51, Electra Convenience Stores (a company that was established for managing convenience store operations under the 7-Eleven brand), and Electra Retail executed an agreement for the transfer of the convenience store operations. In the framework of the agreement, the franchise agreement was assigned to Electra Convenience Stores, and

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

1.3.2 Issuance of Series A bonds/debentures

On 7 February 2022, the Company issued NIS 250,000,000 par value in Series A Company bonds (a new series) pursuant to a shelf offering report dated 3 February 2022 according to a Company shelf prospectus dated 12 August 2019 for total gross proceeds of NIS 250,000,000. See Note 5A to the Interim Consolidated Financial Statements for additional details.

1.3.3 Agreement to purchase real property in Rishon Le’Zion

In January 2022, the Company, together with the Reality Real Estate Investment Fund 4, Limited Partnership, won a tender announced by the City of Rishon Le’Zion for the acquisition of the ownership rights to real property of approximately 9 hectares in consideration of the total sum of approximately NIS 106,000,000.

See Note 5B to the Interim Consolidated Financial Statements for additional details.

1.3.4 Agreement with Carrefour

In April 2022, Bitan Wines entered into an exclusive franchise agreement to operate the Bitan Wines chain's stores under the Carrefour brand for a period of 20 years with an automatic renewal for an additional 20 years as well as options to extend for additional 20-year periods with the consent of the parties.

See Note 5H to the Interim Consolidated Financial Statements for additional details.

1.3.5 Engagement with Quik Super Online Ltd. (hereinafter: “Quik”)

In March 2022, Bitan Wines entered into a series of agreements with Quik that arranged for the establishment of a new partnership for purposes of carrying out online retail operations for products and services based on the technological platform and operational infrastructure developed by Quik. On 1 August, the conditions precedent for closing said agreements were met, and accordingly, the parties completed the transaction.

See Note 5J to the Interim Consolidated Financial Statements for additional details.

1.3.6 Collaboration agreement with Israel Credit Cards Ltd. (hereinafter: “Cal”) and Bank Hapoalim

Further to the updated agreement in principle that the Company reached with Cal and Bank Hapoalim, during the course of May 2022, whereby it was agreed that the parties would work toward executing a three-way collaboration agreement in connection with

operation of a customer loyalty club based on a non-bank credit card issued by Cal for customers of Bit and customers of the Group's retail chains, the Company executed said agreement on 10 August 2022. See Note 5I to the Interim Consolidated Financial Statements for additional details.

- 1.3.7 On 3 March 2022, the Company declared the distribution of a dividend in the sum of NIS 30,000,000, which reflects a share price of NIS 1.37. The dividend was paid on 3 April 2022.
- 1.3.8 On 10 August 2022, the Company declared the distribution of a dividend in the sum of NIS 30,000,000, which reflects a share price of NIS 1.38. The dividend will be paid on 2 October 2022.
- 1.3.9 See Notes 5 and 10 to the Interim Consolidated Financial Statements, respectively, regarding additional significant events in the Reporting Period and thereafter.



The board of directors' explanations of the Company's business affairs

2. Financial position

Below is a summary of the consolidated statements of financial position (in NIS Thousands):

	As at 30 June		As at 31 December
	2022	2021	2021
	NIS Thousands		NIS Thousands
Current assets	2,135,707	1,860,794	1,941,647
Non-current assets	4,294,903	4,062,480	4,053,082
Total assets	6,430,610	5,923,274	5,994,729
Current liabilities	2,551,082	2,608,057	2,444,569
Non-current liabilities	2,661,753	2,127,529	2,323,352
Total equity	1,217,775	1,187,688	1,226,808
Total liabilities and equity	6,430,610	5,923,274	5,994,729

Assets

- 2.1. The total current assets amounted to approximately NIS 2,136,000,000 as at 30 June 2022, as compared with approximately NIS 1,942,000,000 as at 31 December 2021. The increase in current assets primarily derived from an increase in inventory balances that had resulted from stocking up on inventory of air conditioners and from an increase in cash balances, and it was partially offset a decrease in trade receivables.
- 2.2. The total non-current assets amounted to approximately NIS 4,295,000,000 as at 30 June 2022, as compared with approximately NIS 4,053,000,000 as at 31 December 2021. The increase primarily derived from an increase in the investment property under construction line that had resulted from the purchase of lots in Rishon Le'Zion (as indicated in Note 5B to the Interim Consolidated Financial Statements); an increase in the investment property line that had resulted from revaluation of properties; an increase in the property, plant, and equipment line; an increase in the right of use assets line that had resulted of the extension of existing rental agreements; and an increase in deferred tax assets.

Liabilities

- 2.3 The total current liabilities amounted to approximately NIS 2,551,000,000 as at 30 June 2022, as compared with approximately NIS 2,445,000,000 as at 31 December 2021. The change primarily derived from an increase in trade payables due to an increase in the Company's operations and from an increase in current maturities of leasing liabilities.
- 2.4 The total non-current liabilities amounted to approximately NIS 2,662,000,000

as at 30 June 2022, as compared with approximately NIS 2,323,000,000 as at 31 December 2021. The increase primarily derived from an increase in the bonds line that had resulted from the issuance of bonds during the Reporting Period; an increase in leasing liabilities corresponding to a parallel increase in the right of use assets line; and an increase in deferred tax balances.

Shareholder equity

- 2.5 Shareholder equity amounted to approximately NIS 1,218,000,000 as at 30 June 2022, as compared with approximately NIS 1,227,000,000 as at 31 December 2021. The decrease in equity during the Reporting Period primarily derived from a buyback of the Company's shares in the sum of approximately NIS 35,000,000 and from a dividend that was paid in the sum of NIS 30,000,000 that were offset by a total profit of approximately NIS 56,000,000.

Financial debt, net

- 2.6 The Company's financial debt, net (*), amounted to approximately NIS 2,202,000,000 as at 30 June 2022, as compared with financial debt, net, of approximately NIS 2,018,000,000 as at 31 December 2021.
- 2.7 The Company's financial debt, net, after eliminating leasing liabilities (IFRS 16), amounted to a financial debt, net, of approximately NIS 422,000,000 as at 30 June 2022, as compared with a financial debt, net, of approximately NIS 307,000,000 as at 31 December 2021. The increase in the financial debt, net, as at 30 June 2022 compared to 31 December 2021 primarily derived from the acquisition of property, plant, equipment, and other, as well as investment property under construction; payment of a dividend to the Company's shareholders; and a buyback of treasury shares that were partially offset by a positive cash flow from current operations.

(*) Financial debt/asset, net, means the banking debt/asset with the addition of leasing liabilities (IFRS 16).

The Board of Directors Report on the State of the Corporation's Affairs
For the Period Ended at 30 June 2022

2.8. Segmental assets and liabilities

	30 June 2022						
	Electrical consumer products segment	Electrical retail segment	Retail food segment	Investment property segment	"Other" segment	Adjustments and other	Total
	NIS Thousands						
Current assets	1,325,411	583,172	410,989	-	124,721	(308,586)	2,135,707
Non-current assets	207,295	436,348	3,025,552	368,312	229,640	27,756	4,294,903
Current liabilities	545,037	891,891	1,146,302	5,342	64,821	(102,311)	2,551,082
Non-current liabilities	323,101	216,303	1,692,112	60,914	120,735	248,588	2,661,753
Financial debt, net	(368,455)	(82,394)	(1,632,151)	(26,340)	(92,620)	-	(2,201,960)
Financial asset (debt), net (without IFRS 16)	(351,294)	126,230	(207,123)	(26,340)	36,100	-	(422,427)

	30 June 2021					
	Electrical consumer products segment	Electrical retail segment	Retail food segment *)	Investment property segment	Adjustments and other *)	Total
	NIS Thousands					
Current assets	1,343,444	419,599	370,929	-	(273,178)	1,860,794
Non-current assets	167,154	379,668	3,063,138	269,700	182,820	4,062,480
Current liabilities	475,380	720,388	1,345,831	7,500	58,958	2,608,057
Non-current liabilities	424,770	143,566	1,472,521	4,552	82,120	2,127,529
Financial debt, net	(173,706)	(141,294)	(1,619,000)	-	(64,000)	(1,998,000)
Financial asset (debt), net (without IFRS 16)	(149,925)	9,925	(134,000)	-	16,000	(258,000)

**The Board of Directors Report on the State of the Corporation's Affairs
For the Period Ended at 30 June 2022**

31 December 2021

	Electrical consumer products Electrical consumer products *)	Electrical retail segment *)	Retail food segment *)	Investment property segment	"Other" segment *)	Adjustments and other *)	Total
	NIS Thousands						
Current assets	1,370,004	465,254	309,438	-	118,783	(321,832)	1,941,647
Non-current assets	190,249	401,821	2,971,638	269,700	211,735	7,939	4,053,082
Current liabilities	534,683	736,613	1,094,894	7,500	54,478	16,401	2,444,569
Non-current liabilities	412,268	177,188	1,519,830	4,552	107,066	102,448	2,323,352
Financial debt, net	(224,018)	(151,982)	(1,563,000)	-	(79,000)	-	(2,018,000)
Financial asset (debt), net (without IFRS 16)	(203,521)	33,521	(171,000)	-	34,000	-	(307,000)

*) Reclassified.

3. Results of activities

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

	For the six months ended at 30 June		For the year ended at			
	1-6/2022	(*)	1-6/2021	(*)	2021	(*)
Revenues from sales and provision of services	2,973,938		1,595,432		4,648,546	
Cost of sales and provision of services	2,103,195		1,172,117		3,345,455	
Gross profit	870,743	29.3%	423,315	26.5%	1,303,091	28.0%
Selling and marketing expenses	(710,328)		(302,676)		(992,207)	
Administrative and general expenses	(48,865)		(25,373)		(80,718)	
Research and development expenses	(1,957)		(3,888)		(6,231)	
Other income, net	33,249		41,542		41,664	
Operating income	142,842	4.8%	132,920	8.3%	265,599	5.7%
Financing income	1,075		6,648		6,555	
Financing expenses	(64,614)		(14,598)		(68,681)	
Income before taxes on income	79,303	2.7%	124,970	7.8%	203,473	4.4%
Taxes on income	(25,795)		(27,270)		(31,597)	
Net income	53,508	1.8%	97,700	6.1%	171,876	3.7%

(*) Percentage of turnover

3.1.1 Revenues

The Group's revenues amounted to approximately NIS 2,974,000,000 in the six-month period ended at 30 June 2022 (hereinafter: the "**Reporting Period**"), as compared with approximately NIS 1,595,000,000 in the parallel period of the previous year, an increase of approximately 86%. The increase in sales turnover primarily derived from the consolidation of the results of the companies that were acquired during the course of 2021 that had not been completely included in the parallel period of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.1.2 Gross profit

The gross profit rate in the Reporting Period stood at approximately 29.3% of the sales turnover, as compared with approximately 26.5% in the parallel period of the previous year. The gross profit in the Reporting Period amounted to approximately NIS 871,000,000, as compared with approximately NIS 423,000,000 in the parallel period of the previous year, an increase of

approximately 105.7%. The increase in gross profit and its percentage primarily derived from improved gross profit in the electrical consumer products segment and in the electrical retail segment as well as from the consolidation of the results of the companies that were acquired during the course of 2021 that had not been completely included in the parallel period of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.1.3 Selling and marketing expenses

Selling and marketing expenses during the Reporting Period amounted to approximately NIS 710,000,000 (approximately 23.9% of sales turnover), as compared with approximately NIS 303,000,000 (approximately 19% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the consolidation of the results of the companies that were acquired during the course of 2021 that had not been fully included in the parallel period of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.1.4 Administrative and general expenses

Administrative and general expenses in the Reporting Period amounted to approximately NIS 49,000,000 (approximately 1.6% of sales turnover), as compared with approximately NIS 25,000,000 (approximately 1.6% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the consolidation of the retail food segment that had not yet been fully consolidated during the parallel period of the previous year.

3.1.5. Research and development expenses

Research and development expenses amounted to approximately NIS 2,000,000 in the Reporting Period, as compared with approximately NIS 4,000,000 in the parallel period of the previous year. The decrease in research and development expenses derives from an increase in expenditures that are directed at developing future products from the climate systems plant (primarily, heating systems for export), which are amortised as an intangible asset.

3.1.6. Other income, net

Other net income amounted to approximately NIS 33,000,000 in the Reporting Period, as compared with other net income of approximately NIS 42,000,000 in the parallel period of the previous year. Income during the Reporting Period and during the previous year primarily derived from the revaluation of investment property owned by the Company.

3.1.7. Operating income

Operating income amounted to approximately NIS 143,000,000 in the Reporting Period, as compared with approximately NIS 133,000,000 in the parallel period of the previous year, an increase of approximately 7.5%.

3.1.8. Net financing income (expenses)

Financing expenses, net, amounted to approximately NIS 64,000,000 in the Reporting Period, as compared with approximately NIS 8,000,000 in the parallel period of the previous year. The increase in financing expenses, net, primarily derived from the consolidation of the retail food segment, which had not yet been fully consolidated during the parallel period of the previous year, which contributed approximately NIS 34,600,000, and the "others" segment, which had not yet been consolidated during the parallel period of the previous year, as well as expenses in respect of exchange rate differences.

3.1.9 Income before taxes on income

Income before taxes on income amounted to approximately NIS 79,300,000 in the Reporting Period, as compared with income before taxes on income of approximately NIS 125,000,000 in the parallel period of the previous year. This decrease in income before taxes primarily derived from the food segment's results.

3.1.10 Taxes on income

Taxes on income expenditures amounted to approximately NIS 26,000,000 in the Reporting Period, as compared with taxes on income expenditures of approximately NIS 27,000,000 in the parallel period of the previous year.

3.1.11 Net income

Net income during the Reporting Period amounted to approximately NIS 53,500,000, as compared with approximately NIS 97,700,000 in the parallel period of the previous year. After neutralising other income, net, during the Reporting Period as compared with the parallel period of the previous year and after neutralising the impact of the food segment's results during said periods, net income during the Reporting Period came to approximately NIS 57,000,000, as compared to approximately NIS 64,000,000 in the parallel period of the previous year, which reflects a more moderate decrease in net income during the Reporting Period, which derived from an increase in financing expenses in respect of exchange rate differences.

3.1.12. EBITDA *)

EBITDA amounted to approximately NIS 249,000,000 in the Reporting Period, as compared with approximately NIS 143,000,000 in the parallel period of the previous year, an increase of approximately 74%.

The EBITDA, after neutralising the effects of IFRS 16, amounted to approximately NIS 113,000,000 in the Reporting Period, as compared with approximately NIS 105,000,000 in the parallel period of the previous year, an increase of approximately 7.5%.

- *) EBIDTA is calculated as earnings before depreciation and amortization, financing expenses, net, other income (expenses), and taxes on income, and as at 2022, the Company has also started deducting share-based payment expenses (including adjustment of comparison numbers).

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

	Quarter		Quarter		For the year ended at December 31	
	4-6/2022	(*)	4-6/2021	(*)	2021	(*)
Revenues from sales and provision of services	1,523,448		898,188		4,648,546	
Cost of sales and provision of services	<u>1,074,878</u>		<u>655,209</u>		<u>3,345,455</u>	
Gross profit	448,570	29.4%	242,979	27.1%	1,303,091	28.0%
Selling and marketing expenses	(366,999)		(181,879)		(992,207)	
Administrative and general expenses	(25,762)		(16,219)		(80,718)	
Research and development expenses	(952)		(1,948)		(6,231)	
Other income, net	<u>2,270</u>		<u>44,521</u>		<u>41,664</u>	
Operating income	57,127	3.7%	87,454	9.7%	265,599	5.7%
Financing income	-		4,490		6,555	
Financing expenses	<u>(37,035)</u>		<u>(13,582)</u>		<u>(68,681)</u>	
Income before taxes on income	20,092	1.3%	78,362	8.7%	203,473	4.4%
Taxes on income	<u>(8,464)</u>		<u>(16,266)</u>		<u>(31,597)</u>	
Net income	<u>11,628</u>	0.8%	<u>62,096</u>	6.9%	<u>171,876</u>	3.7%

(*) Percentage of turnover

3.2.1 Revenues

The Group's revenues amounted to approximately NIS 1,523,000,000 in the second quarter of 2022, as compared with approximately NIS 898,000,000 in the parallel period of the previous year, an increase of approximately 70%. The increase in sales turnover primarily derived from an increase in sales in the electrical consumer products segment, primarily in the heating systems export sector; an increase in the electrical retail segment primarily due to an increase in sales in the duty-free shops, the opening of new branches, and the timing of the Passover holiday; and the consolidation of the results of the companies that were acquired during the course of 2021 that had not yet been fully included in the parallel period of the previous year. (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 second quarter of 2022 amounted to approximately 29.4% of the sales turnover, as compared with approximately 27.1% in the parallel period of the previous year. The gross profit in the second quarter of 2022 amounted to approximately NIS 449,000,000, as compared with approximately NIS 243,000,000 in the parallel period of the previous year, an increase of approximately 84.6%. The increase in gross profit and its percentage primarily derived from improved gross profit in the electrical consumer products segment primarily from the sale of air conditioners and heating systems; improvement in the amount of net profit in the electrical retail segment; as well as the consolidation of the results of the companies that were acquired during the course of 2021 that had not yet been fully consolidated in the parallel period of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.2.3 Selling and marketing expenses

Selling and marketing expenses amounted to approximately NIS 367,000,000 (approximately 24.1% of sales turnover) in the second quarter of 2022, as compared with approximately NIS 182,000,000 (approximately 20.2% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the consolidation of the results of the companies that were acquired during the course of 2021 that had not yet been fully consolidated in the parallel quarter of the previous year. (See Section 4 below for additional details in connection with reporting on business segments.)

3.2.4 Administrative and general expenses

Management and general expenses amounted to NIS 26,000,000 (approximately 1.7% of sales turnover) in the second quarter of 2022, as compared to approximately NIS 16,000,000 (approximately 1.8% of sales turnover) in the parallel period of the previous year. The increase in expenses primarily derived from the consolidation of the retail food segment, which had not yet been fully consolidated in the second quarter of the previous year.

3.2.5 Research and development expenses

Research and development expenses amounted to approximately NIS 1,000,000 in the second quarter of 2022, as compared with approximately NIS 2,000,000 in the parallel period of the previous year. The decrease in research and development expenses derives from an increase in expenditures that are directed at developing future products from the climate systems plant (primarily, heating systems for export), which are amortised as an intangible asset.

3.2.6 Other income, net

Other income, net, amounted to the approximately NIS 2,000,000 in the second quarter of 2022, as compared with other income, net, of approximately NIS 45,000,000 in the parallel period of the previous year. Other income in the previous year primarily derived from the revaluation of investment property owned by the Company following the sale of half of the investment property

owned by the Company to the Reality Fund.

3.2.7 Operating income

Operating income amounted to approximately NIS 57,000,000 in the second quarter of 2022, as compared with approximately NIS 87,000,000 in the parallel period of the previous year. After neutralising other income, net, in the second quarter of the previous year, that primarily derived from the sale of half of the investment property owned by the Company to the Reality Fund, operating income amounted to approximately NIS 43,000,000 in the second quarter of the previous year, compared to approximately NIS 55,000,000 in the second quarter of 2022, an increase of 28%.

3.2.8 Net financing income (expenses)

Financing expenses, net, amounted to approximately NIS 37,000,000 in the second quarter of 2022, as compared with approximately NIS 9,000,000 in the parallel period of the previous year. Financing expenses, net, primarily derived from the consolidation of the retail food segment, which had not yet been fully consolidated in the previous year and contributed approximately NIS 22,400,000; from the "others" segment, which had not yet been consolidated in the parallel quarter of the previous year; as well as from financing expenses in respect of exchange rate differences.

3.2.9 Income before taxes on income

Income before taxes on income amounted to approximately NIS 20,000,000 in the second quarter of 2022, as compared with income before taxes on income of approximately NIS 78,000,000 in the parallel period of the previous year. After neutralising other income and neutralising the impact of the food segment's results, the income before tax amounted to approximately NIS 29,000,000 in the second quarter of 2022, as compared to approximately NIS 32,000,000 in the previous year, and primarily derived from an increase in financing expenses in respect of exchange rate differences.

3.2.10. Taxes on income

Expenditures on taxes on income amounted to approximately NIS 8,000,000 in the second quarter of 2022, as compared with tax expenditures of approximately NIS 16,000,000 in the parallel period of the previous year.

3.2.11 Net income

Net income amounted to approximately NIS 12,000,000 in the second quarter of 2022, as compared with approximately NIS 62,000,000 in the parallel period of the previous year. After neutralising other income in the second quarter of 2022, as compared with the parallel period of the previous year, and after neutralising the impact of the food segment's results in said periods, net income in the second quarter of 2022 came to approximately NIS 21,000,000, as compared to approximately NIS 26,000,000 in the previous year, which reflects a more moderate decrease in net income during the second quarter of 2022.

3.2.12. **EBITDA** *)

The EBITDA amounted to approximately NIS 124,000,000 in the second quarter of 2022, as compared with approximately NIS 76,000,000 in the parallel period of the previous year, an increase of approximately 63%.

EBITDA, after neutralising the effects of IFRS 16, amounted to approximately NIS 57,000,000 in the second quarter of 2022, as compared with approximately NIS 48,000,000 in the parallel period of the previous year, an increase of approximately 18%.

- *) EBITDA is calculated as earnings before depreciation and amortization, financing expenses, net, other income (expenses), and taxes on income, and as at 2022, the Company has also started deducting share-based payment expenses (including adjustment of comparison numbers).



4. Report on business segments

4.1. Revenues (in NIS Thousands)

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	686,701	639,997	7.3%	362,152	317,710	14.0%
Electrical retail	889,548	818,940	8.6%	468,843	395,436	18.6%
Retail food	1,400,214	241,574	479.6%	711,799	241,574	194.7%
Investment property	5,622	6,011	(6.5%)	2,871	2,959	(3.0%)
Other	87,611	-	-	32,084	-	-
Adjustments and other	(95,758)	(111,090)	(13.8%)	(54,301)	(59,491)	(8.7%)
Total	2,973,938	1,595,432	86.4%	1,523,448	898,188	69.6%

4.2 Segmental income (in NIS Thousands):

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	86,136	72,013	19.6%	47,327	35,864	32.0%
Electrical retail	33,718	36,974	(8.8%)	17,108	13,504	26.7%
Retail food	9,659	6,574	46.9%	5,236	6,574	(20.4%)
Investment property	33,515	58,472	(42.7%)	(189)	55,420	(100.3%)
Other	6,441	-	-	(2,300)	-	-
Adjustments and other	(6,797)	(21,111)	(67.8%)	(904)	(13,058)	(93.1%)
Total segmental profit	162,672	152,922	6.4%	66,278	98,304	(32.6%)
Unallocated joint expenses	19,830	20,002	(0.9%)	9,151	10,850	(15.7%)
Operating income	142,842	132,920	7.5%	57,127	87,454	(34.7%)

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4.3 Segmental EBITDA (in NIS Thousands):

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	88,954	81,094	9.7%	43,863	38,467	14.0%
Electrical retail	58,975	59,046	(0.1%)	29,023	25,454	14.0%
Retail food	98,778	23,963	312.2%	54,415	23,963	127.1%
Investment property	5,622	6,011	(6.5%)	2,871	2,959	(3.0%)
Other	19,184	-	-	4,055	-	-
Adjustments and other	(4,741)	(7,185)	(34.0%)	(1,727)	(4,101)	(57.9%)
Total segmental EBITDA	266,772	162,929	63.7%	132,500	86,742	52.8%
Unallocated joint expenses	17,975	19,717	(8.8%)	8,244	10,728	(23.2%)
EBITDA	248,797	143,212	73.7%	124,256	76,014	63.5%

*) The percent change is calculated based on the ratio between the 2022 results and the 2021 results.

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

	For the six months ended at 30 June			For the three months ended at 30 June		
	in NIS Thousands			in NIS Thousands		
	2022	2021	% change (*)	2022	2021	% change (*)
Electrical consumer products	85,869	78,415	9.5%	42,178	37,050	13.8%
Electrical retail	36,183	40,831	(11.4%)	18,935	16,009	18.3%
Retail food	(188)	7,579	(102.5%)	4,379	7,579	(42.2%)
Investment property	5,622	6,011	(6.5%)	2,871	2,959	(3.0%)
Other	9,179	-	-	(996)	-	-
Adjustments and other	(4,741)	(7,185)	(34.0%)	(1,727)	(4,101)	(57.9%)
Total segmental EBITDA	131,924	125,651	5.0%	65,640	59,496	10.3%
Unallocated joint expenses	18,834	20,441	(7.9%)	8,596	11,108	(22.6%)
EBITDA	113,090	105,210	7.5%	57,044	48,388	17.9%

*) The percent change is calculated based on the ratio between the 2022 results and the 2021 results.

4.5 Explanation of the data that appears in the table

(1) Electrical consumer products

The sales turnover amounted to approximately NIS 687,000,000 in the Reporting Period, as compared with approximately NIS 640,000,000 in the parallel period of the previous year, an increase of approximately 7.3%. The sales turnover in the previous year, after neutralising the sales turnover of the Company's second-tier subsidiary in France, which was sold in April 2021, amounted to approximately NIS 611,000,000, which constitutes an effective increase of NIS 76,000,000. The increase in revenues primarily derived from the increased sales of air conditioners in Israel and exported heating systems. Segmental income amounted to approximately NIS 86,000,000 in the Reporting Period, as compared with approximately NIS 72,000,000 in the parallel period of the previous year, and primarily derived from increased sales and an increase in the amount of gross profit.

The sales turnover amounted to approximately NIS 362,000,000 in the second quarter of 2022, as compared with approximately NIS 318,000,000 in the parallel period of the previous year, an increase of approximately 14%. The increase in revenues primarily derived from the increased sales of air conditioners in Israel and exported heating systems. Segmental income amounted to approximately NIS 47,000,000 in the second quarter of 2022, as compared with approximately NIS 36,000,000 in the parallel period of the previous year, and primarily derived from increased sales and the rate of gross profit.

(2) Electrical retail

The sales turnover amounted to approximately NIS 890,000,000 in the Reporting Period, as compared with approximately NIS 819,000,000 in the parallel period of the previous year, an increase of approximately 8.6%. The sales in the same stores in the segment that operated fully in the Reporting Period decreased in comparison to the parallel period of the previous year by approximately 10.2%.

Monthly average sales per square metre in the same stores amounted to NIS 2,997, as compared with NIS 3,310 per square metre in the parallel period of the previous year. This decrease in sales primarily derives from a reduction in the sales of those same stores and the occurrence of an election day during the parallel period of the previous year.

The segmental income amounted to approximately NIS 34,000,000 in the Reporting Period, which constitutes approximately 3.8% of the turnover, as compared with approximately NIS 37,000,000 in the parallel period of the previous year, which constitutes approximately

4.5% of turnover. The decrease in segmental profit primarily derived from said decreased sales in same stores.

The sales turnover amounted to approximately NIS 469,000,000 in the second quarter of 2022, as compared with approximately NIS 395,000,000 in the parallel period of the previous year, an increase of approximately 18.6%. **The sales in the same stores in the segment that operated fully in the second quarter of 2022 increased in comparison to the parallel period of the previous year by approximately 13.0%, primarily because of duty-free operations.** Monthly average sales per square metre in the same stores amounted to NIS 3,661, as compared with NIS 3,174 per square metre in the parallel period of the previous year. The increase in sales primarily derived from said increased sales in same stores.

Segmental income amounted to approximately NIS 17,000,000, which constitutes approximately 3.6% of turnover, in the second quarter of 2022, as compared with approximately NIS 14,000,000, which constitutes approximately 3.4% of turnover, in the parallel period of the previous year, and primarily derived from said increased sales in same stores.

(3) **Retail food**

As of 27 May 2021, the Company has been consolidating Bitan Wines' results into its financial statements. The sales turnover and the segmental income in the Reporting Period came to approximately NIS 1,400,000,000 and approximately NIS 9,700,000, respectively.

The sales in the same stores in this segment that operated fully in the Reporting Period decreased by approximately 5.7% as compared to the parallel period of the previous year, pro forma.

Monthly average sales per square metre amounted to NIS 2,014, as compared with NIS 2,173 per square metre in the parallel period of the previous year.

The sales turnover and the segmental profit during the second quarter of 2022 came to approximately NIS 712,000,000 and approximately NIS 5,200,000, respectively.

The sales in the same stores in this segment that operated fully in the second quarter of 2022 decreased by approximately 2.2% as compared to the parallel period of the previous year, pro forma.

Monthly average sales per square metre amounted to NIS 2,052, as compared with NIS 2,104 per square metre in the parallel period of the previous year.

In light of the food segment's results and with the replacement of the CEO of Bitan Wines in July 2022, as set forth in Note 10B to the Interim Consolidated Financial Statements, Bitan Wines' management began preparing a reorganization and streamlining plan that it intends to

implement incrementally starting in August 2022 in order to establish a commercial and operational foundation for growth, strengthening competitive ability, dealing with market challenges, implementing the Carrefour brand as optimally as possible, etc.

(4) **Investment property**

Revenues during the Reporting Period amounted to approximately NIS 5,600,000, as compared to approximately NIS 6,000,000 in the previous year, and segmental profit amounted to approximately NIS 34,000,000 in the Reporting Period, as compared to approximately NIS 58,400,000 the previous year. The decrease in segmental profit during the Reporting Period derives from revaluation of investment property owned by the Company in Rishon Le'Zion in the previous year following the sale of 50% of said property to the Reality Fund for an amount higher than the revaluation of said property in the Reporting Period.

Revenues during the second quarter of 2022 amounted to approximately NIS 2,900,000, as compared to approximately NIS 3,000,000 in the previous year, and segmental loss amounted to approximately NIS 200,000 in the Reporting Period, as compared to segmental profit of approximately NIS 55,400,000 in the previous year. The segmental profit in the previous year derived from revaluation of real estate properties in the second quarter of the previous year following the sale of 50% of the real estate properties to the Reality Fund.

(5) **"Other"**

The "other" segment includes operations in the field of camping, sports, and leisure. As of 1 July 2021, the Company has been incorporating Sa'ar's results into its financial statements.

The sales turnover and the segmental income during the Reporting Period came to approximately NIS 88,000,000 and NIS 6,000,000, respectively.

The sales turnover and the segmental loss in the second quarter of 2022 amounted to approximately NIS 32,000,000 and NIS 2,000,000, respectively. The segmental loss derived from the fact that the Company is seasonal and most of its operations are during the first and fourth quarters of the 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)

	1-6.2022		4-6.2022		1-12.2021	
	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases	As reported	Net of the impact of IFRS 16 – Leases
Operating income	142,842	111,566	57,127	41,754	265,599	231,791
Financing income (expenses), net	(63,539)	(22,115)	(37,035)	(15,975)	(62,126)	(11,007)
Income before taxes on income	79,303	89,451	20,092	25,779	203,473	220,784
Taxes on income	(25,795)	(25,795)	(8,464)	(8,464)	(31,597)	(31,597)
Net income from continuing operations	53,508	63,656	11,628	17,315	171,876	189,187
Net income attributable to Company shareholders	66,611	69,402	20,007	23,943	164,113	212,762
EBITDA	248,797	113,090	124,256	57,044	420,045	250,659

6. Distribution of the sources of financing

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

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2022	2021	2022	2021	2021
	in NIS Thousands				
Cash flows generated (absorbed) by					
Regular activity	162,556	(99,539)	79,861	(79,011)	(6,186)
Investment activity	(116,691)	69,675	(61,261)	154,348	51,359
Financing	99,560	62,785	8,831	138,163	(17,172)
Exchange differences on cash balances	-	621	-	(68)	710
Total cash increase	145,425	33,542	27,431	213,432	28,711

6.2. Cash flows from (to) current operations

Net cash that derived from current operations amounted to approximately NIS 163,000,000 in the Reporting Period, as compared with net cash used in current operations of approximately NIS 100,000,000 in the previous year. The increase in cash flows from current operations in the Reporting Period as compared with the parallel period of the previous year primarily derived from an improvement in segmental results in the electrical consumer products segment and an improvement in working capital balances in the Reporting Period. Consolidation of the results of the companies that were acquired during 2021 that had not yet been fully consolidated during the parallel period of the previous year contributed, during the Reporting Period, net cash that derived from current operations of approximately NIS 19,000,000 after neutralisation of the effects of IFRS 16 - Leases.

Net cash that derived from current operations amounted to approximately NIS 80,000,000 in the second quarter of 2022, as compared with net cash used in current operations of approximately NIS 79,000,000 in the previous year. The increase in cash flows that derived from current operations in the second quarter of 2022 as compared with the parallel period of the previous year primarily derived from an improvement in segmental results in the electrical consumer products segment and an improvement in working capital balances in the second quarter of 2022.

6.3. Cash flows absorbed by (deriving from) investment activity

Net cash that was absorbed by investment activity amounted to approximately NIS 117,000,000 in the Reporting Period, as compared with net cash of approximately NIS 70,000,000 that derived from investment activity in the parallel period of the previous year. The cash used for investment activity in the Reporting Period was used primarily to acquire fixed and other assets as well as for investment in investment property under construction. Net cash that derived from investment activities in the previous year primarily derived from the redemption of short-term deposits

and the disposal of marketable securities and was partially offset primarily by investment in property, plant, and equipment and other assets as well as by investment in marketable securities. Consolidation of the results of the companies that were acquired during 2021 that had not yet been fully consolidated during the parallel period of the previous year contributed to the acquisition of property, plant, and equipment and other assets in the sum of approximately NIS 37,000,000 in the Reporting Period.

Net cash absorbed by investment activity amounted to approximately NIS 61,000,000 in the second quarter of 2022, as compared with net cash that derived from investment activity of approximately NIS 154,000,000 in the parallel period of the previous year. The cash used for investment activity during the second quarter of 2022 was primarily used to acquire fixed and other assets as well as for investment in investment property under construction. Net cash that derived from investment activities in the previous year primarily derived from the redemption of short-term deposits and the disposal of marketable securities and was partially offset primarily by investment in property, plant, and equipment and other assets.

6.4 Cash flows generated (absorbed) by financing activity

The net cash that derived from financing activity amounted to approximately NIS 100,000,000 in the Reporting Period, as compared with approximately NIS 63,000,000 in the parallel period of the previous year. The net cash that derived from financing activity in the Reporting Period primarily derived from the issuance of debentures offset by early repayment of bank loans in the net sum of approximately NIS 56,000,000 and from the receipt of short- and long-term bank loans in the sum of approximately NIS 206,000,000, and it was partially offset primarily by a dividend that was paid to Company shareholders in the sum of NIS 30,000,000, the purchase of treasury shares in the sum of approximately NIS 35,000,000, and payment of lease liabilities in the sum of approximately NIS 93,000,000. The net cash that derived from financing activity in the previous year primarily derived from the receipt of long-term bank loans in the sum of approximately NIS 340,000,000, which were partially offset primarily by a dividend that was paid to Company shareholders in the sum of NIS 40,000,000, repayment of lease liabilities in the sum of NIS 36,000,000, early repayment of long-term bank loans in the sum of approximately NIS 76,000,000, repayment of loans to others in the sum of approximately NIS 41,000,000, as well as the net repayment of short-term bank credit in the sum of approximately NIS 85,000,000. Consolidation of the results of the companies that were acquired during 2021 that had not yet been fully consolidated during the parallel period of the previous year contributed, in the Reporting Period, net cash that derived from financing activities of approximately NIS 172,000,000 (after neutralisation of the effects of IFRS 16 - Leases).

Net cash that derived from financing activities amounted to approximately NIS 9,000,000 in the second quarter of 2022, as compared with approximately NIS 138,000,000 in the parallel period of the previous year. The net cash that derived from financing activity in the second quarter of 2022 primarily derived from the receipt of bank loans in the sum of approximately NIS 206,000,000,

and it was partially offset primarily by a dividend that was paid to Company shareholders in the sum of NIS 30,000,000, the purchase of treasury shares in the sum of approximately NIS 35,000,000, payment of lease liabilities in the sum of approximately NIS 44,000,000, and repayment, net, of short-term bank credit in the sum of approximately NIS 86,000,000. The net cash that derived from financing activity in the second quarter of the previous year primarily derived from the receipt of long-term bank loans in the sum of approximately NIS 340,000,000, and it was partially offset primarily by a dividend that was paid to Company shareholders in the sum of NIS 40,000,000, repayment of lease liabilities in the sum of NIS 26,000,000, repayment of loans to others in the sum of approximately NIS 41,000,000, as well as the net repayment of short-term bank credit in the sum of approximately NIS 84,000,000. Consolidation of the results of the companies that were acquired during 2021 that had not yet been fully consolidated in the second quarter of the previous year contributed, in the second quarter, net cash that derived from financing activities of approximately NIS 97,000,000 (after neutralisation of the effects of IFRS 16 - Leases).

7. [Events after the balance sheet date](#)

For details about events after the balance sheet date, see Note 10 to the Interim Consolidated Financial Statements.

8. [Buyback plan](#)

On 10 August 2022, the Company's board of directors approved a plan to buy back up to NIS 100,000,000 Company shares in lieu of a previous plan to buy back Company shares as approved on 17 November 2019, 15 March 2020, and 17 March 2020, commencing on 10 August 2022 and up until 9 August 2025. Future purchases shall take place from time to time on various dates and in various volumes according to Company management's discretion and market opportunities.

See Note 5L to the Interim Consolidated Financial Statements for details regarding the buy back of shares in the Company in the Reporting Period.

9. [Directors with accounting and financial expertise](#)

During the Reporting Period, there was no change regarding the minimum required number of directors on the Company board of directors who must have special financial-accounting expertise.

10. [Independent directors](#)

During the Reporting Period, there was no change regarding the independent directors as set forth in the Company's Periodic Report for 2021.

11. [Disclosure regarding the internal auditor](#)

During the Reporting Period, there were no material changes regarding data about the Company's internal auditor as set forth in the Company's Periodic Report for 2021.

12. [Disclosure regarding critical accounting estimates](#)

See the Board of Directors Report for 31 December 2021.

13. [Report on the liabilities position of the Company and the consolidated companies](#)

Data on the Company's liabilities position as at 30 June 2022 are included in this report by way of reference to such data in the Company's immediate report on the Company's liabilities position by repayment dates, which the Company published in tandem with this report.

14. [Details relating to very substantial valuations that served as a basis for determining the value of data in the financial statements](#)

14.1 As at 30 June 2022, the Company has a very substantial valuation in relation to the purchase price allocation (PPA) in the framework of the acquisition of shares of Bitan Wines Ltd.:

Below are details pursuant to Article 8B(l) 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:	The purchase price allocation (PPA) in the framework of the acquisition of shares of Bitan Wines Ltd.
Timing of the valuation:	27 May 2021
Value of the subject of the valuation that was determined pursuant to the valuation:	The total cost of combining businesses is NIS 625,615,000
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 Special Advisory Services, which specializes 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. 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

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	Master of Economics and a Bachelor (with honors) of Economics and Accounting, both from Tel Aviv University. The valutors are not dependent on the Company.
The assessment model used by the valuator:	Commonly accepted valuation techniques were used, including use of the exemption from royalties approach for estimating the value of Bitan Wines and the income approach for estimating the value of an inferior contract for lease contracts and a cashback agreement.
Material assumptions used by the valuator in the valuation:	The discount rate that was assumed is 16%; the royalties rate (notional expense) in respect of the brand is 0.25%.

For additional details relating to the final purchase price allocation (PPA) in the framework of the acquisition of shares of Bitan Wines Ltd., see Note 7A to the Company's Interim Consolidated Financial Statements.

- 14.2 As at 30 June 2022, the Company has a very substantial valuation in relation to the "updated recoverable amount from Bitan Wines Ltd.'s operational assets."

Below are details pursuant to Article 8B(1) to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, regarding the valuation that was used as a basis in determining the data values in the Company's financial statements:

Valuation subject:	Updated recoverable amount from Bitan Wines Ltd.'s operational assets
Timing of the valuation:	30 June 2022
Value of the subject of the valuation that was determined pursuant to the valuation:	NIS 918,223,000
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 Special Advisory Services, which specializes 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. 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 honors) of Economics and Accounting, both from Tel Aviv University. The valutors are not dependent on the Company.
The assessment model	The recoverable amount update was established

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used by the valuator:	similarly to the last valuation that was conducted according to the "use value" using the Discounted Cash Flow (DCF) method.
Assumptions used by the valuator in the valuation:	Discount rate before tax – 17.6%. Permanent growth rate – 2.5%.

15. [Financial criteria](#)

Below is a table that sets forth the various criteria that the Company undertook with respect to bondholders and the calculation of whose results is accurate as at 30 June 2022:

Security	Balance of the par value of the security in circulation (in NIS Thousands)		Financial criterion	Actual criterion as at 30 June 2022
	As at 30 June 2022	Immediately prior to reporting date		
(Series A) Bonds/Debt securities	250,000	250,000	Tangible equity – the Company's "solo" tangible equity at the end of the review period (as defined in the deed) shall not be less than NIS 350,000,000.	NIS 693,000,000
			Ratio of net financial debt to net balance sheet – The ratio of the net financial debt to the net balance sheet at the end of the review period (as defined in the deed) shall not exceed 67%.	7.13%

16. Below are the details about the (Series A) bonds (in NIS Thousands)

Bonds (Series A)⁽²⁾	
Disclosure item	Details about the bonds (Series A)
1. Issuance date ⁽¹⁾	7 February 2022, pursuant to a shelf offering report
2. Total par value on the date of issue ⁽¹⁾	NIS 250,000,000 par value
3. Par value balance as at 30 June 2022	NIS 250,000,000 par value
4. Par value balance on the reporting date	NIS 250,000,000 par value
5. The par value balance on the reporting date, revalued according to linkage terms	The series is not linked.
6. Amount of carried accrued interest as at 30 June 2022	- ⁽³⁾
7. Stock market value as at 9 August 2022	NIS 237,400,000
8. Type of interest	Fixed interest at a rate of 2.1%. We note that the trust deed for the (Series A) bonds dated 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 shareholder equity, due to failure to meet the net financial debt to EBITDA ratio, or due to a change in the (Series A) bond rating. According to the above (cumulative) adjustment mechanisms, the total amount of interest supplements shall not exceed 1.25% (other than in the event of an entitlement to interest on arrears). For details, see Sections 5.21, 5.22, and 5.23 to the Trust Deed.
9. Dates for payment of principal	The (Series A) bonds are payable in seven (7) unequal annual installments 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 installment of the principal will be paid on 31 December 2023, and the final installment of the principal will be paid on 31 December 2029.
10. Interest payment dates	The interest for the (Series A) bonds will be paid in equal amounts semiannually on 30 June and 31 December in each of the years 2022 through 2029 (inclusive) such that the first interest payment was on 30 June 2022 and the last interest payment will be on 31 December 2029 (together with the final payment of the principal).
11. Principal and interest linkage basis	The (Series A) bonds are not linked (principal or interest) to any linkage basis.
12. Are the bonds convertible?	No
13. Early repayment or forced conversion of bonds	The Company shall be entitled, at its initiative, to call the (Series A) bonds due for early repayment, all according to the provisions of Section 7.2 to the Trust Deed.
14. Guarantee for payment of the Company's obligations pursuant to the Trust Deed	None
15. Fulfilment of the terms and obligations pursuant to the Trust Deed	As of the report date, the Company has been meeting all of its above-described financial obligations. Additionally, as of the report date, to the best of the Company's knowledge, the Company has not breached its obligations as established in the (Series A) bonds' Trust Deed, and no conditions have occurred that establish cause for calling the above bonds due for immediate repayment.
16. Is the Company required by the trustee to perform various actions, including calling meetings of bondholders?	No
17. Details of guarantees/liens	None
Details about the trustee for the holders of (Series A) bonds	
1. Trustee name	Mishmeret Trust Company Ltd.
2. Bond Administrator	Mr Rami Sabati, CPA

**The Board of Directors Report on the State of the Corporation's Affairs
For the Period Ended at 30 June 2022**

Bonds (Series A)⁽²⁾		
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 date	'ilAA-' (January and February 2022)
4.	Additional ratings between the date of issue and the report date	-

- (1) On 3 February 2022, the Company published a shelf offering report (reference number: 2022-01-013488), in which the Company made an initial public offering of NIS 250,000,000 par value of the Company's (Series A) bonds.
- (2) As of the report date, pursuant to the provisions of Section 10(B)(13)(a) to the Report Regulations, the Company views the (Series A) bonds as a substantive series.
- (3) The amount of interest accrued as at 9 August 2022 in respect of the (Series A) Bonds is NIS 575,000.

17. Working capital shortfall

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

As at 30 June 2022, the Company listed, in its Consolidated Financial Statements, negative working capital (net) (current assets less current liabilities) of approximately NIS 415,000,000 and a negative operating capital (net) - which characterises retail operations such as the Company's - of approximately NIS 82,000,000. Similarly, as at that date, the Company has a negative working capital (net) (current assets less current liabilities) of approximately NIS 215,000,000 and a negative operating capital (net), according to the Company's separate (solo) financial data, of approximately NIS 2,000,000.

The Company's board of directors conducted a review as to whether the above factual situation indicates a liquidity problem in the framework of which it reviewed the Company's sources for repaying its existing and expected liabilities based on the forecasted cash flow that was presented to the board. Accordingly, the board of directors determined that the shortfall in working capital and the shortfall in operating working capital do not indicate a 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. Effects of inflation and increased interest rates on financial disclosure and reporting

In light of the increase in the prime interest rate by the Bank of Israel and the increase in the consumer price index resulting from global inflation, in general, and local inflation, in particular, the Company has reviewed these influences on its liabilities.

The Company has liabilities to banks that are linked to the prime interest rate in the total sum of NIS 660,000,000. Similarly, the Company pays property owners rent for

its branches and offices that is for the most part linked to the consumer price index.

An increase in the prime interest rate and the increase in the consumer price index have not materially affected the Company's results.

Similarly, the Company does not foresee that a continued increase in the prime interest rate and the increase in the consumer price index rate will materially affect the Company's results, and it is working to reduce said exposures.

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



**The Board of Directors Report on the State of the Corporation's Affairs
For the Period Ended at 30 June 2022**

19. Linkage bases report as at 30 June 2022 (in NIS Thousands):

	Dollars	Euro	Total foreign currency	Unlinked	Linked	Non- monetary	Total
<u>Assets</u>							
Cash and cash equivalents	20,413	7,089	27,502	462,355	-	-	489,857
Short-term investments	-	-	-	2,839	409	-	3,248
Trade receivables	1,585	26,457	28,042	568,247	-	-	596,289
Other receivables	15,203	4,569	19,772	35,890	5,494	11,679	72,835
Inventory	-	-	-	-	-	973,478	973,478
Long-term trade and other receivables	-	-	-	20,761	9,110	-	29,871
Investment property under construction	-	-	-	-	-	41,696	41,696
Investment property	-	-	-	-	-	326,616	326,616
Property, plant, and equipment, net	-	-	-	-	-	254,433	254,433
Right of use assets, land	-	-	-	-	-	56,097	56,097
Right of use assets, other	-	-	-	-	-	1,544,006	1,544,006
Goodwill	-	-	-	-	-	1,911,885	1,911,885
Intangible assets	-	-	-	-	-	103,591	103,591
Deferred taxes	-	-	-	-	-	26,708	26,708
Total assets	37,201	38,115	75,316	1,090,092	15,013	5,250,189	6,430,610
<u>Liabilities</u>							
Credit from banks and others	-	-	-	60,103	-	-	60,103
Current maturities of leasing liabilities	-	-	-	-	197,892	-	197,892
Trade payables	154,956	62,917	217,873	1,433,997	-	-	1,651,870
Other payables	-	-	-	279,083	154,079	208,055	641,217
Loans from banks and others	-	-	-	618,119	-	-	618,119
Bonds/Debentures	-	-	-	247,306	-	-	247,306
Leasing liabilities	-	-	-	-	1,581,640	-	1,581,640
Other non-current liabilities	-	-	-	28,078	-	106,710	134,788
Employee benefit liabilities, net	-	-	-	-	-	35,839	35,839
Deferred taxes	-	-	-	-	-	44,061	44,061
Total liabilities	154,956	62,917	217,873	2,666,686	1,933,611	394,665	5,212,835
Balance of the exposure of assets (liabilities) to the results	(117,755)	(24,802)	(142,557)	(1,576,594)	(1,918,598)	4,855,524	1,217,775

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

**Zvika Schwimmer,
Chief Executive
Officer**

Date: 10 August 2022

Electra Consumer Products (1970) Ltd.

Interim Consolidated Financial Statements as at 30 June 2022

Unaudited

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Consolidated Statements of Financial Position

	As at 30 June		As at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
<u>Current assets</u>			
Cash and cash equivalents	489,857	349,263	344,432
Short-term investments	3,248	13,170	4,344
Trade receivables	596,289	590,031	679,812
Other receivables	72,835	83,800	58,667
Inventory	973,478	824,530 *)	854,392
	<u>2,135,707</u>	<u>1,860,794</u>	<u>1,941,647</u>
<u>Non-current assets</u>			
Trade and other receivables	29,871	21,913 *)	27,403 *)
Investment property under construction	41,696	-	-
Investment property	326,616	269,700	269,700
Property, plant, and equipment, net	254,433	182,192 *)	201,444
Right of use assets, land	56,097	56,227	56,387
Right of use assets, other	1,544,006	1,535,478 *)	1,485,749 *)
Goodwill	1,911,885	1,892,981 *)	1,902,856 *)
Intangible assets	103,591	98,571 *)	104,511 *)
Deferred taxes	26,708	5,418	5,032
	<u>4,294,903</u>	<u>4,062,480</u>	<u>4,053,082</u>
	<u>6,430,610</u>	<u>5,923,274</u>	<u>5,994,729</u>

*) Re-presented – see Note 7 regarding business combinations.

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Consolidated Statements of Financial Position

	As at 30 June		As at 31 December
	2022	2021	2021
	(Unaudited)		Audited
	NIS Thousands		
<u>Current liabilities</u>			
Credit from banking corporations and others	60,103	131,607	49,327
Current maturities of leasing liabilities	197,892	177,946	172,135
Trade payables	1,651,870	1,584,664	1,573,794
Other payables (including related companies)	641,217	713,840 *)	649,313 *)
	<u>2,551,082</u>	<u>2,608,057</u>	<u>2,444,569</u>
<u>Non-current liabilities</u>			
Loans from banks and others	618,119	412,290	616,500
Bonds/Debentures	247,306	-	-
Leasing liabilities	1,581,640	1,562,387	1,539,903
Other liabilities	134,788	83,456 *)	111,120 *)
Employee benefit liabilities, net	35,839	35,483	38,552
Deferred taxes	44,061	33,913 *)	17,277
	<u>2,661,753</u>	<u>2,127,529</u>	<u>2,323,352</u>
<u>Equity</u>			
Equity attributed to Company shareholders	692,783	655,615	690,970
Non-controlling interests	524,992	532,073 *)	535,838 *)
<u>Total equity</u>	<u>1,217,775</u>	<u>1,187,688</u>	<u>1,226,808</u>
	<u>6,430,610</u>	<u>5,923,274</u>	<u>5,994,729</u>

*) Re-presented – see Note 7 regarding business combinations.

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

10 August 2022			
Date of approval of the financial statements	Daniel Salkind	Zvika Schwimmer	Yehonatan Tsabari
	Chair of the Board of Directors	Chief Executive Officer	Chief Financial Officer

Consolidated Statements of Profit and Loss

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2022	2021 *)	2022	2021 *)	2021 *)
	(Unaudited)				Audited
	NIS Thousands				
Revenues from sales and provision of services	2,973,938	1,595,432	1,523,448	898,188	4,648,546
Cost of sales and provision of services	2,103,195	1,172,117 *)	1,074,878	655,209 *)	3,345,455 *)
Gross profit	870,743	423,315	448,570	242,979	1,303,091
Selling and marketing expenses	(710,328)	(302,676) *)	(366,999)	(181,879) *)	(992,207) *)
Administrative and general expenses	(48,865)	(25,373)	(25,762)	(16,219)	(80,718)
Research and development expenses	(1,957)	(3,888)	(952)	(1,948)	(6,231)
Other income, net	33,249	41,542	2,270	44,521	41,664
Operating income	142,842	132,920	57,127	87,454	265,599
Financing income	1,075	6,648	-	4,490	6,555
Financing expenses	(64,614)	(14,598)	(37,035)	(13,582)	(68,681)
Profit before taxes on income	79,303	124,970	20,092	78,362	203,473
Taxes on income	(25,795)	(27,270)	(8,464)	(16,266)	(31,597)
Net earnings	53,508	97,700	11,628	62,096	171,876
<u>Net income (loss) attributable to:</u>					
Company shareholders	66,611	94,418	20,007	59,337	164,113
Non-controlling interests	(13,103)	3,282	(8,379)	2,759	7,763
	53,508	97,700	11,628	62,096	171,876
<u>Basic net earnings per share attributed to Company shareholders (in NIS)</u>	3.04	4.29	0.92	2.70	7.47
<u>Diluted net earnings per share attributed to Company shareholders (in NIS)</u>	2.99	4.22	0.90	2.65	7.33
Weighted number of shares used in calculating base net earnings per share	21,896,557	21,991,066	21,851,564	21,991,066	21,979,919
Weighted number of shares used in calculating diluted net earnings per share	22,303,495	22,378,581	22,252,027	22,388,848	22,374,761

*) Reclassified.

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December 2021
	2022	2021	2022	2021	Audited
	(Unaudited)				
	NIS Thousands				
Net earnings	53,508	97,700	11,628	62,096	171,876
Other comprehensive income (loss) (after tax):					
<u>Sums that will not later be reclassified to profit or loss:</u>					
Profit (loss) from remeasurement for defined benefit plans	2,009	-	2,009	-	(28)
<u>Sums that will be classified or are reclassified to profit or loss upon specific conditions being met:</u>					
Adjustments from translation of financial statements of foreign operations	-	(411)	-	(149)	(322)
Transfer to profit or loss from sale of foreign operations	-	7,565	-	7,565	8,357
Transfer to Statement of Profit and Loss with respect to cash flow hedging transactions	316	3,583	234	180	3,687
Income with respect to cash flow hedging transactions	-	(1,345)	-	-	(1,345)
Total other comprehensive income	2,325	9,392	2,243	7,596	10,349
Total comprehensive income	55,833	107,092	13,871	69,692	182,225
<u>Comprehensive profit (loss) attributable to:</u>					
Company shareholders	68,498	103,810	21,812	66,933	175,178
Non-controlling interests	(12,665)	3,282	(7,941)	2,759	7,047
	55,833	107,092	13,871	69,692	182,225

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											Total equity
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	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	
	(Unaudited)											
	NIS Thousands											
<u>Balance as at 1 January 2022 (audited)</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 profit (loss)	-	-	-	-	-	-	1,571	316	66,611	68,498	(12,665)	55,833
Cost of share-based payments	-	-	-	-	-	2,315	-	-	-	2,315	-	2,315
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends paid to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,499)	(2,499)
Transaction with holders of non-controlling interests	-	-	-	-	(4,318)	-	-	-	-	(4,318)	4,318	-
Buyback of Company shares	-	-	(34,682)	-	-	-	-	-	-	(34,682)	-	(34,682)
<u>Balance as at 30 June 2022</u>	<u>73,150</u>	<u>430,661</u>	<u>(100,493)</u>	<u>4,362</u>	<u>(6,977)</u>	<u>6,906</u>	<u>(3,554)</u>	<u>-</u>	<u>288,728</u>	<u>692,783</u>	<u>524,992</u>	<u>1,217,775</u>

Electra Consumer Products (1970) Ltd.

Attributable to Company shareholders													
Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non- controlling interests	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	
(Unaudited)													
NIS Thousands													
Balance as at 1 January <u>2021 (audited)</u>	73,150	430,661	(58,468)	4,362	(2,659)	(8,035)	2,680	(5,813)	(2,658)	158,004	591,224	31,985	623,209
Total comprehensive income	-	-	-	-	-	7,154	-	-	2,238	94,418	103,810	3,282	107,092
Cost of share-based payments	-	-	-	-	-	-	581	-	-	-	581	-	581
Non-controlling interests created in companies consolidated for the first time	-	-	-	-	-	-	-	-	-	-	-	496,806 *)	496,806 *)
Dividends paid to Company shareholders	-	-	-	-	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
<u>Balance as at 30 June 2021</u>	<u>73,150</u>	<u>430,661</u>	<u>(58,468)</u>	<u>4,362</u>	<u>(2,659)</u>	<u>(881)</u>	<u>3,261</u>	<u>(5,813)</u>	<u>(420)</u>	<u>212,422</u>	<u>655,615</u>	<u>532,073</u>	<u>1,187,688</u>

*) Re-presented – see Note 7 regarding business combinations.

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											Total equity
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	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 rereasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	
	(Unaudited)											
	NIS Thousands											
<u>Balance as at 1 April 2022</u>	73,150	430,661	(65,811)	4,362	(2,659)	5,742	(5,125)	(234)	268,721	708,807	528,615 *)	1,237,422
Total comprehensive profit (loss)	-	-	-	-	-	-	1,571	234	20,007	21,812	(7,941)	13,871
Cost of share-based payments	-	-	-	-	-	1,164	-	-	-	1,164	-	1,164
Transaction with holders of non-controlling interests	-	-	-	-	(4,318)	-	-	-	-	(4,318)	4,318	-
Buyback of Company shares	-	-	(34,682)	-	-	-	-	-	-	(34,682)	-	(34,682)
<u>Balance as at 30 June 2022</u>	<u>73,150</u>	<u>430,661</u>	<u>(100,493)</u>	<u>4,362</u>	<u>(6,977)</u>	<u>6,906</u>	<u>(3,554)</u>	<u>-</u>	<u>288,728</u>	<u>692,783</u>	<u>524,992</u>	<u>1,217,775</u>

Electra Consumer Products (1970) Ltd.

Attributable to Company shareholders													
Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	Adjustments from translation of financial statements	Capital reserve with respect to share-based payments	Capital reserve with respect to rereasurement of defined benefit plans	Capital reserve for hedging transactions	Retained earnings	Total	Non-controlling interests	Total equity	
(Unaudited)													
NIS Thousands													
<u>Balance as at 1 April 2021</u>	73,150	430,661	(58,468)	4,362	(2,659)	(8,297)	2,886	(5,813)	(600)	153,085	588,307	32,508	620,815
Total comprehensive income	-	-	-	-	-	7,416	-	-	180	59,337	66,933	2,759	69,692
Cost of share-based payments	-	-	-	-	-	-	375	-	-	-	375	-	375
Non-controlling interests created in companies consolidated for the first time	-	-	-	-	-	-	-	-	-	-	-	496,806 *)	496,806 *)
<u>Balance as at 30 June 2021</u>	<u>73,150</u>	<u>430,661</u>	<u>(58,468)</u>	<u>4,362</u>	<u>(2,659)</u>	<u>(881)</u>	<u>3,261</u>	<u>(5,813)</u>	<u>(420)</u>	<u>212,422</u>	<u>655,615</u>	<u>532,073</u>	<u>1,187,688</u>

*) Re-presented – see Note 7 regarding business combinations.

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders											Non-controlling interests	Total equity
	Equity shares	Share premium	Treasury shares	Capital reserve with respect to transactions with controlling shareholders	Capital reserve with respect to transactions with holders of non-controlling interests	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		
	Audited												
	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

*) Re-presented – see Note 7 regarding business combinations.

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Notes on the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December
	2022	2021	2022	2021	2021
	(Unaudited)				Audited
	NIS Thousands				
<u>Cash Flows from Current Operations</u>					
Net income	53,508	97,700	11,628	62,096	171,876
Adjustments required for presenting cash flows from current operations:					
Adjustments to profit and loss items:					
Depreciation and amortization	136,889	51,253	68,235	32,704	194,199
Impairment of intangible assets	-	-	-	-	131
Impairment (increase) of investment property	(30,779)	(52,882)	174	(53,013)	(51,117)
Impairment of investment property under construction	2,887	-	2,887	-	-
Cost of share-based payments	2,315	581	1,164	375	1,911
Classification of translation differentials fund relating to disposal of a consolidated company in France	-	7,565	-	7,565	-
Loss (gain) on disposal of operations, net	-	(2,025)	-	(2,025)	6,332
Capital loss from disposal of property, plant, and equipment	1,401	2,143	1,401	2,143	5,774
Deferred taxes, net	4,769	3,617	(1,561)	406	(13,226)
Change in employee benefit liabilities, net	(322)	865	(201)	520	3,898
Other adjustments	(327)	3,644	(233)	3,672	(9,575)
	116,833	14,761	71,866	(7,653)	138,327
Changes in assets and liabilities items:					
Decrease (increase) in trade receivables (including long-term receivables)	83,805	42,457	86,870	67,613	(46,866)
Decrease (increase) in other receivables	(20,506)	2,191	(32,992)	(1,900)	21,373
Increase in inventory	(118,812)	(204,189)	(10,966)	(74,252)	(234,051)
Increase (decrease) in trade payables	68,644	(18,061)	(32,004)	(105,055)	(40,101)
Decrease in other payables	(20,916)	(34,398)	(14,541)	(19,860)	(16,744)
	(7,785)	(212,000)	(3,633)	(133,454)	(316,389)
Net cash from (used for) ongoing operations	162,556	(99,539)	79,861	(79,011)	(6,186)

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Notes on the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the six months ended		For the three months ended		For the year
	at 30 June		at 30 June		ended
	2022	2021	2022	2021	at
	(Unaudited)				31 December
	NIS Thousands				2021
					Audited
<u>Cash flows from investment activities</u>					
Acquisition of property, plant, and equipment and intangible assets	(75,308)	(38,993)	(48,840)	(24,675)	(86,670)
Payment of capitalised leasing fees and land development levies	-	(6,573)	-	(6,573)	(7,027)
Capitalisation of costs recognised in investment property	(449)	(383)	(216)	(127)	(2,173)
Repayment of short-term deposits	-	100,149	-	100,149	100,149
Investment in marketable securities	-	(70,964)	-	(964)	(70,964)
Payment for acquisition of hedging transactions	-	(2,582)	-	(2,200)	(5,587)
Deferred proceeds from disposal of investment in previously consolidated company	2,421	-	2,421	-	2,479
Proceeds on account of investment property	-	-	-	-	24,063
Acquisition of investment property under construction (See Note 5B, below, for additional details.)	(44,583)	-	(17,935)	-	-
Proceeds from disposal of property, plant, and equipment	198	-	198	-	602
Proceeds from redemption and sale of marketable securities	851	79,613	-	79,330	88,299
Other investments, net	179	-	3,111	-	(1,220)
Acquisition of companies consolidated for the first time (A)	-	4,941	-	4,941	4,941
Proceeds from disposal of investment in previously consolidated company (B)	-	4,467	-	4,467	4,467
Net cash from (used for) investment operations	<u>(116,691)</u>	<u>69,675</u>	<u>(61,261)</u>	<u>154,348</u>	<u>51,359</u>
<u>Cash flows from financing operations</u>					
Dividends paid to Company shareholders	(30,000)	(40,000)	(30,000)	(40,000)	(70,000)
Dividends paid to holders of non-controlling interests	(2,499)	-	(1,899)	-	-
Issuance of bonds less cost of issuance	247,087	-	-	-	-
Receipt of long- and short-term bank loans	206,340	340,000	206,340	340,000	610,000
Repayment of long-term bank loans	(192,619)	(75,893)	(625)	(11,235)	(190,554)
Repayment of loans from others	-	(40,560)	-	(40,560)	(40,560)
Payment of liability to Mega trustees	-	-	-	-	(84,345)
Buyback of Company shares	(34,682)	-	(34,682)	-	(7,343)
Payment of leasing liabilities	(92,584)	(35,861)	(44,178)	(26,398)	(115,966)
Short-term bank credit, net	(1,483)	(84,901)	(86,125)	(83,644)	(118,404)
Net cash from (used for) financing operations	<u>99,560</u>	<u>62,785</u>	<u>8,831</u>	<u>138,163</u>	<u>(17,172)</u>
<u>Exchange differences for cash and cash-equivalent balances</u>	<u>-</u>	<u>621</u>	<u>-</u>	<u>(68)</u>	<u>710</u>
<u>Increase in cash and cash equivalents</u>	<u>145,425</u>	<u>33,542</u>	<u>27,431</u>	<u>213,432</u>	<u>28,711</u>
<u>Balance of cash and cash equivalents at beginning of period</u>	<u>344,432</u>	<u>315,721</u>	<u>462,426</u>	<u>135,831</u>	<u>315,721</u>
<u>Balance of cash and cash equivalents at end of period</u>	<u>489,857</u>	<u>349,263</u>	<u>489,857</u>	<u>349,263</u>	<u>344,432</u>

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Notes on the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the six months ended		For the three months ended		For the year
	at 30 June		at 30 June		ended
	2022	2021	2022	2021	at
	(Unaudited)				31 December
	NIS Thousands				2021
					Audited
(A) Acquisition of companies consolidated for the first time *)					
Consolidated companies' assets and liabilities as at date of acquisition:					
Working capital (other than cash and cash equivalents)	-	821,930	-	821,930	821,930
Long-term receivables	-	(15,011)	-	(15,011)	(15,011)
Property, plant, and equipment	-	(95,840)	-	(95,840)	(95,840)
Right of use assets	-	(1,378,303)	-	(1,378,303)	(1,378,303)
Intangible assets	-	(79,353)	-	(79,353)	(79,353)
Goodwill	-	(1,705,664)	-	(1,705,664)	(1,705,664)
Deferred tax liabilities, net	-	5,262	-	5,262	5,262
Loans from banks and others and bank credit	-	338,776	-	338,776	338,776
Leasing liabilities	-	1,569,813	-	1,569,813	1,569,813
Other non-current liabilities	-	28,961	-	28,961	28,961
Employee benefit liabilities, net	-	17,564	-	17,564	17,564
Non-controlling interests	-	496,806	-	496,806	496,806
	-	4,941	-	4,941	4,941
(B) Proceeds from disposal of investment in previously consolidated company					
Consolidated company's assets and liabilities as at date of sale:					
Working capital (other than cash and cash equivalents)	-	13,298	-	13,298	13,298
Long-term receivables	-	248	-	248	248
Property, plant, and equipment	-	1,393	-	1,393	1,393
Intangible assets	-	3,631	-	3,631	3,631
Credit from banking corporations and others	-	(2,848)	-	(2,848)	(2,848)
Long-term bank loan	-	(5,478)	-	(5,478)	(5,478)
Other non-current liabilities	-	(669)	-	(669)	(669)
Income from sale of consolidated company	-	2,025	-	2,025	2,025
Receivables from disposal of investment in a consolidated company	-	(7,133)	-	(7,133)	(7,133)
	-	4,467	-	4,467	4,467

*) Re-presented – see Note 7 regarding business combinations.

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

Notes on the Interim Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the six months ended at 30 June		For the three months ended at 30 June		For the year ended at 31 December 2021
	2022	2021	2022	2021	Audited
	(Unaudited)				
	NIS Thousands				
(C) Significant non-cash activities					
Acquisition of property, plant, and equipment and intangible assets using credit	26,830	3,574	26,830	3,574	14,768
Proceeds payable from return of leased asset to the lessor	-	-	-	-	2,200
Receivables from disposal of investment in a consolidated company	2,198	7,026	2,198	7,026	4,255
Increase in right of use asset against leasing liabilities	162,298	69,879	62,003	41,041	128,806
(D) Additional information on cash flows					
Cash paid over the course of the period for:					
Interest	56,132	22,897	28,138	20,742	67,360
Taxes on income	41,386	20,057	25,635	15,841	45,304
Cash received over the course of the period for:					
Interest	699	1,394	68	930	1,750
Taxes on income	7,431	8,618	1,272	8,544	9,579

The accompanying notes constitute an integral part of the Interim Consolidated Financial Statements.

