

ELECTRA CONSUMER PRODUCTS (1970) LIMITED

Consolidated Financial Statements

As at December 31, 2016

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To the Board of Directors of Electra Consumer Products (1970) Ltd

We have audited the consolidated statements of financial position of Electra Consumer Products (1970) Ltd. ("the Company") as of December 31, 2016 and 2015, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016 in accordance with generally accepted auditing standards in Israel.

Based on our audits, in our report dated March 8, 2017, we expressed an unqualified opinion on those statements.

The accompanying financial statements, which are derived from the abovementioned financial statements, are condensed financial statements and do not include disclosures required by International Financial Reporting Standards ("IFRS"). If the omitted disclosures were included in the accompanying financial statements, they might influence the user's conclusions about the statements of financial position and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company. Accordingly, the accompanying financial statements are not designed for those who are not informed about such matters.

Tel-Aviv
March 8, 2017


KOST FORER GABBAY & KASIERER
A member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION


	December 31	
	2016	2015
	NIS in thousands	
<u>Current assets</u>		
Cash and cash equivalents	149,233	17,049
Trade receivables	440,396	372,861
Other receivables (including related companies)	33,261	42,601
Inventory	433,619	466,500
	<u>1,056,509</u>	<u>899,011</u>
<u>Non-current assets</u>		
Trade and other receivables	7,293	12,922
Investments in companies accounted for at equity	-	9,226
Fixed assets	138,447	138,708
Goodwill	230,761	214,775
Intangible assets	47,617	27,447
Deferred taxes	-	2,024
	<u>424,118</u>	<u>405,102</u>
	<u><u>1,480,627</u></u>	<u><u>1,304,113</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION


	December 31	
	2016	2015
	NIS in thousands	
<u>Current liabilities</u>		
Credit from banking entities and others	57,870	36,713
Suppliers and providers of services	456,700	458,970
Other payables (including related companies)	262,703	226,681
Dividend payable	35,000	-
	812,273	722,364
<u>Non-current liabilities</u>		
Loans from banking entities	50,000	70,000
Other liabilities	43,889	50,617
Employee benefit liabilities	18,422	18,150
Deferred taxes	39,134	2,723
	151,445	141,490
<u>Total equity</u>	516,909	440,259
	1,480,627	1,304,113

March 8, 2017

Date of approval of the
financial statements


Daniel Salkind
Chairman of the Board
of Directors


Ze'ev Kalimi
Chief Executive Officer


Doron Sela
Deputy Chief Executive
Officer with responsibility
for financial matters

ELECTRA CONSUMER PRODUCTS (1970) LTD.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	For the year ended December 31		
	2016	2015	2014
	NIS in thousands		
Revenues from sales and the provision of services	2,949,272	2,733,948	2,669,412
Cost of sales and the provision of services	2,093,375	1,956,475	1,964,411
Gross profit	855,897	777,473	705,001
Selling and marketing expenses	663,661	647,862	691,163
Administrative and general expenses	45,245	43,676	36,178
Other income, net	12,660	7,481	3,780
Operating income (loss) before expenses relating to a structural change, net	159,651	93,416	(18,560)
Expenses relating to a structural change, net	-	(10,194)	(41,987)
Operating income (loss)	159,651	83,222	(60,547)
Financing income	5,871	1,936	3,394
Financing expenses	(17,716)	(18,045)	(21,982)
Company's share of the profits (losses) of companies accounted for at equity, net	(485)	1,292	(573)
Income (loss) before taxes on income	147,321	68,405	(79,708)
Taxes on income (tax benefit)	36,994	19,948	(14,052)
Net income (loss)	110,327	48,457	(65,656)
Other comprehensive income (loss) (after tax effects):			
<u>Amounts that will never be reclassified to profit or loss:</u>			
Loss on the re-measurement of defined benefit plans	(302)	(2,800)	(286)
<u>Amounts that will be classified or reclassified to profit or loss, when specific conditions are met:</u>			
Adjustments deriving from the translation of the financial statements of foreign operations	(1,310)	(3,245)	(657)
Gain (loss) on cash flow hedging transactions	-	(1,028)	11,754
Transfer to profit or loss in respect of cash flow hedging transactions	-	(8,587)	(465)
Total components that will be classified or reclassified to profit or loss	(1,310)	(12,860)	10,632
Total other comprehensive income (loss)	(1,612)	(15,660)	10,346
Total comprehensive income (loss)	108,715	32,797	(55,310)

ELECTRA CONSUMER PRODUCTS (1970) LTD.**CONSOLIDATED STATEMENTS OF PROFITS OR LOSS AND OTHER COMPREHENSIVE INCOME**

	For the year ended December 31		
	2016	2015	2014
	NIS in thousands		
<u>Basic net earnings (loss) per share attributed to equity holders in the company (in NIS):</u>			
Net income (loss)	<u>5.10</u>	<u>2.24</u>	<u>(3.04)</u>
<u>Diluted net earnings (loss) per share attributable to equity holders in the company (in NIS):</u>			
Net income (loss)	<u>4.90</u>	<u>2.23</u>	<u>(3.04)</u>
Weighted average number of shares used in the calculation of the net earnings (loss) per share	<u>21,632,257</u>	<u>21,632,257</u>	<u>21,632,257</u>
Weighted average number of shares in the calculation of the diluted net earnings (loss) per share	<u>22,535,756</u>	<u>21,654,485</u>	<u>21,632,257</u>

ELECTRA CONSUMER PRODUCTS (1970) LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Reserve from the transaction with a controlling interests</u>	<u>Adjustments deriving from the translation of financial statements</u>	<u>Reserve from share-based payments</u>	<u>Reserve from the re-measurement of defined benefit plans</u>	<u>Retained earnings (losses)</u>	<u>Total equity</u>
NIS in thousands									
<u>Balance at January 1, 2016 (Audited)</u>	71,859	415,543	(5,030)	2,286	(6,490)	8,507	(5,985)	(40,431)	440,259
Total comprehensive income (loss)	-	-	-	-	(1,310)	-	(302)	110,327	108,715
Cost of share-based payment	-	-	-	-	-	2,935	-	-	2,935
Dividend declared for the Company's shareholders	-	-	-	-	-	-	-	(35,000)	(35,000)
<u>Balance at December 31, 2016 (Audited)</u>	<u>71,859</u>	<u>415,543</u>	<u>(5,030)</u>	<u>2,286</u>	<u>(7,800)</u>	<u>11,442</u>	<u>(6,287)</u>	<u>34,896</u>	<u>516,909</u>

ELECTRA CONSUMER PRODUCTS (1970) LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Reserve from the transaction with a controlling interests</u>	<u>Reserve from hedging transactions</u>	<u>Adjustments deriving from the translation of financial statements</u>	<u>Reserve from share-based payments</u>	<u>Reserve from the re-measurement of defined benefit plans</u>	<u>Retained earnings (losses)</u>	<u>Total equity</u>
	NIS in thousands									
<u>Balance at January 1, 2015 (Audited)</u>	71,859	415,543	(5,030)	2,286	9,615	(3,245)	6,131	(3,185)	(88,888)	405,086
Total comprehensive income (loss)	-	-	-	-	(9,615)	(3,245)	-	(2,800)	48,457	32,797
Cost of share-based payment	-	-	-	-	-	-	2,376	-	-	2,376
<u>Balance at December 31, 2015 (Audited)</u>	<u>71,859</u>	<u>415,543</u>	<u>(5,030)</u>	<u>2,286</u>	<u>-</u>	<u>(6,490)</u>	<u>8,507</u>	<u>(5,985)</u>	<u>(40,431)</u>	<u>440,259</u>

ELECTRA CONSUMER PRODUCTS (1970) LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Reserve from transaction with a controlling interests</u>	<u>Reserve from hedging transactions</u>	<u>Adjustments deriving from the translation of financial statements</u>	<u>Reserve from share-based payments</u>	<u>Reserve from the re-measurement of defined benefit plans</u>	<u>Retained earnings (losses)</u>	<u>Total equity</u>
	NIS in thousands									
<u>Balance at January 1, 2014 (Audited)</u>	71,859	415,543	(5,030)	2,286	(1,674)	(2,588)	5,571	(2,899)	16,768	499,836
Total comprehensive income (loss)	-	-	-	-	11,289	(657)	-	(286)	(65,656)	(55,310)
Cost of share-based payment	-	-	-	-	-	-	560	-	-	560
Dividend paid	-	-	-	-	-	-	-	-	(40,000)	(40,000)
<u>Balance at December 31, 2014(Audited)</u>	<u>71,859</u>	<u>415,543</u>	<u>(5,030)</u>	<u>2,286</u>	<u>9,615</u>	<u>(3,245)</u>	<u>6,131</u>	<u>(3,185)</u>	<u>(88,888)</u>	<u>405,086</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2016	2015	2014
	NIS in thousands		
<u>Cash flows from operating activities</u>			
Net income (loss)	110,327	48,457	(65,656)
Adjustments required to present cash flows from operating activities:			
Adjustments to profit and loss items:			
Depreciation and amortization	42,047	39,271	55,175
Cost of share-based payment	2,935	2,376	560
Capital gain on the sale of operations	-	-	(7,689)
Deferred capital gain on the sale of operations, which was recognized in the period and other	(3,417)	(4,374)	(4,551)
Gain on the re-measurement of an investment in an initially consolidated investee company	(6,843)	(3,107)	-
The Company's share of the losses (profits) of companies accounted for at equity, net	1,767	(1,292)	573
Deferred taxes, net	30,842	17,465	(16,531)
Change in employee benefit liabilities, net	(242)	1,210	1,292
	<u>67,089</u>	<u>51,549</u>	<u>28,829</u>
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables (including long term receivables)	(47,234)	(8,058)	46,473
Decrease in other receivables	12,246	9,619	11,194
Decrease in inventory	45,333	49,027	36,753
Decrease in suppliers and providers of services	(3,059)	(41,527)	(3,526)
Increase in other payables (including payables for the acquisition of operations)	10,287	4,019	19,522
	<u>17,573</u>	<u>13,080</u>	<u>110,416</u>
Net cash generated by operating activities	<u>194,989</u>	<u>113,086</u>	<u>73,589</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2016	2015	2014
	NIS in thousands		
<u>Cash flows from investment activities</u>			
Purchase of fixed assets and intangible assets	(33,631)	(38,476)	(37,227)
Acquisition of a previously consolidated company (A)	-	(3,900)	-
Acquisition of an initially consolidated company (B)	(9,499)	-	-
The sale of operations (C)	-	-	(3,314)
Payments in respect of the acquisition and sale of operations	-	(9,942)	(25,540)
Consideration from the disposal of marketable securities, net and charged cash	-	4,000	-
Net cash absorbed by investment activities	<u>(43,130)</u>	<u>(48,318)</u>	<u>(66,081)</u>
<u>Cash flows from financing activities</u>			
Dividend paid	-	-	(40,000)
Receipt of long-term loans from banking entities	-	100,000	-
Repayment of long-term loans from banking entities	(20,000)	(25,847)	(31,692)
Short-term credit from banking entities, net	869	(141,548)	60,950
Net cash absorbed by financing activities	<u>(19,131)</u>	<u>(67,395)</u>	<u>(10,742)</u>
<u>Translation differences in respect of cash and cash equivalent balances</u>	<u>(544)</u>	<u>(219)</u>	<u>(140)</u>
<u>Increase (decrease) in cash and cash equivalents</u>	<u>132,184</u>	<u>(2,846)</u>	<u>(3,374)</u>
<u>Cash and cash equivalents at the beginning of the year</u>	<u>17,049</u>	<u>19,895</u>	<u>23,269</u>
<u>Cash and cash equivalents at the end of the year</u>	<u><u>149,233</u></u>	<u><u>17,049</u></u>	<u><u>19,895</u></u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2016	2015	2014
	NIS in thousands		
(A) <u>Acquisition of a previously consolidated company:</u>			
Assets and liabilities of the consolidated company as of the date the acquisition:			
Working capital (excluding cash and cash equivalents)	-	991	-
Fixed assets	-	89	-
Intangible assets	-	4,995	-
Goodwill	-	3,592	-
Deferred taxes	-	(1,324)	-
Gain as a result of an increase to control	-	(3,107)	-
Investment in a company accounted for at equity	-	(1,336)	-
	<u>-</u>	<u>3,900</u>	<u>-</u>
(B) <u>Acquisition of an initially consolidated company:</u>			
Assets and liabilities of the consolidated company as of the date of the acquisition:			
Working capital (excluding cash and cash equivalents)	(1,605)	-	-
Fixed assets	746	-	-
Intangible assets	30,181	-	-
Goodwill	15,986	-	-
Deferred taxes	(7,545)	-	-
Liability in respect of a put option	(13,641)	-	-
Other long-term liabilities	(321)	-	-
Gain as a result of an increase to control	(6,843)	-	-
Investment in a company accounted for at equity	(7,459)	-	-
	<u>9,499</u>	<u>-</u>	<u>-</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2016	2015	2014
	NIS in thousands		
(C) <u>The sale of operations:</u>			
Other receivables	-	-	(31,679)
Depreciation and amortization	-	-	909
Payables for the sale of operations	-	-	17,481
Other payables	-	-	2,286
Capital gain on the sale of operations	-	-	7,689
	<u>-</u>	<u>-</u>	<u>(3,314)</u>
(D) <u>Significant activities, not involving cash flows:</u>			
Acquisition of fixed assets and intangible assets on credit	<u>9,114</u>	<u>11,477</u>	<u>7,122</u>
Dividend payable	<u>35,000</u>	<u>-</u>	<u>-</u>
<u>Additional cash flow information:</u>			
Cash paid during the year for:			
Interest	<u>8,005</u>	<u>9,905</u>	<u>12,274</u>
Taxes on income	<u>5,618</u>	<u>2,660</u>	<u>5,337</u>
Cash received during the year for:			
Interest	<u>209</u>	<u>186</u>	<u>1,080</u>
Taxes on income	<u>4,318</u>	<u>291</u>	<u>6,248</u>