

**Shufersal Ltd.
(Formerly Super Sol Ltd.)**

Periodic Report for the Six Months Ended June 31, 2009

Contents

Condensed Board of Directors' Report to the Shareholders

Condensed Consolidated Financial Statements as at June 31, 2009

We are pleased to present the Report of the Board of Directors of Shufersal Ltd. (**hereinafter – “Shufersal” and/or “the Company”**) for the six months ended June 30, 2009 in accordance with the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970.

A. Principal Information from the Description of the Company's Business

Shufersal is the owner of the largest chain of supermarkets in Israel.

The Company operates in two operating segments that are reported as business segments in its consolidated financial statements.

The Company implements the instructions of IFRS 8, Operating Segments, in accordance with the accounting policies presented in Note 3. The Company has two reportable segments that are strategic business units. The strategic business units offer different services and products and the allocation of resources and evaluation of performance are managed separately because they require different marketing strategies.

The retail segment –

This segment includes the retail marketing of food and other products in its branches, the Shufersal credit card activity and the manufacture of frozen and fresh baked products.

The results of the retail operations, which are based on the branches and geographical areas in which the branches are located, are reviewed regularly by the Company's CEO, who is the chief operating decision maker of the Company, for the purpose of making decisions about resources to be allocated to the retail segment and assessing the performance.

As at June 30, 2009, the Company's retail segment activity is carried out in 241 stores having a wide geographical spread.

The Company operates four formats as part of a business marketing strategy that is aimed at satisfying its diverse customer population, by adjusting the range of products it offers in the different branches and providing them a buying experience that differs and varies in each of the formats operated by the Company.

The Company has a broad mix of products that are organized in a number of sale departments and secondary departments in each branch, and which includes, inter alia, products sold under the private label “Shufersal” for the purpose of offering a quality product, developing customer loyalty and improving the profitability of the categories in which the private label is sold.

The Company's CEO examines the performance of the retail segment on the basis of a budget that is prepared on the level of the overall retail activity and makes significant decisions such as regarding investments in branches of the chain, the establishment of new branches in areas that are strategic to the Company and the value of continuing to operate losing branches or of alternatively changing the format of the branch, only on the basis of the statement of income of each relevant branch, while considering the different locations of the branches and considering all the chain's branches as a whole.

The Shufersal credit card activity constitutes an integral part of the retail marketing activity of the Group in the framework of the retail activity's customer club.

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The manufacturing activity of frozen and fresh baked products is managed by a wholly owned subsidiary of the Company whose main sales are to the branches of the Company. As aforementioned, the manufacture of frozen and fresh baked products is a part of the retail activity because of its similar economic and qualitative characteristics.

As at June 30, 2009, the Company has 241 stores covering a total area of about 518 thousand sq.m. As at June 30, 2008, the Company had 227 stores covering a total area of about 513 thousand sq.m.

The rental real estate segment –

This segment includes the rental of various types of real estate properties including commercial centers and other assets, which include a principal and significant asset in Netanya. The Company also operates by means of investee companies that operate shopping malls and commercial centers, including: Shufersal Baisol Investments Ltd. (Hatzomet Mall, Kfar-Saba – 50% interest in capital and 51% interest in voting rights), Merkaz Hakiryia (Ashdod 1995) Ltd. (50% interest in capital and voting rights) and Bay Heart Ltd. (37% interest in capital and voting rights).

As at June 30, 2009, the Company's share in the total area of the rental space is about 88 thousand sq.m.

The Company's revenues from rental real estate stems from rentals on leased properties and management fees in respect of management services and the operation of shopping malls.

B. Results of Operations

Analysis of the results for the three months ended June 30 2009 compared with the corresponding period last year

	Results of operations			
	Second quarter of 2009		Second quarter of 2008	
	%	NIS millions	%	NIS millions
Revenues		2,784		2,788
Gross profit	25.8%	719	26.8%	748
Selling, marketing, administrative and general expenses	21.1%	(586)	21.1%	(589)
Operating profit before other income and expenses	4.8%	133	5.7%	159
Other expenses		-		(3)
Increase in value and sale of investment property		-		35
Operating profit after other income and expenses		133		191
Financing expenses, net		(3)		(37)
Taxes on income		(34)		(50)
Group's share in losses of affiliated company, net		-		(3)
Profit for the period		96		101

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In the second quarter of 2009, the slowdown in the economic activities continued and the competition in the retail food market continued to be strong. The Passover sales were reflected more significantly in the corresponding quarter of last year than in the second quarter of 2009 because of the timing of the holiday.

In the second quarter of 2009 the sales of the retail segment amounted to NIS 2,769 million, compared with NIS 2,770 million in the corresponding quarter of last year.

There was a decrease of 2.1% in "same store" sales while conversely the Company's sales rose as the result of an increase in selling space because of the opening of new branches.

The sales per sq.m in the Company's stores were NIS 5,495 in the second quarter of 2009, compared with NIS 5,602 in the corresponding quarter of last year – a decrease of 1.9%.

In the second quarter of 2009 the revenues in the rental real estate segment amounted to NIS 15 million compared with NIS 18 million in the corresponding quarter of last year – a decrease of about 17%. The decrease in revenues stemmed mainly from the sale of investment property during 2008.

The Company's total revenues amounted to NIS 2,784 million in the second quarter of 2009, compared with NIS 2,788 million in the corresponding quarter of last year.

The gross profit in the retail segment was NIS 714 million in the second quarter of 2009 compared with NIS 740 million in the corresponding quarter of last year – a decrease of NIS 26 million that is due to a decrease in the gross profit rate from 26.7% to 25.8%. The decrease in the gross profit rate is mainly due to the continuing competition in the food retail market.

The gross profit in the rental real estate segment was NIS 5 million in the second quarter of 2009 compared with NIS 8 million in the corresponding quarter of last year – a decrease of NIS 3 million. The decrease in gross profit stemmed from the decrease in revenues as mentioned above.

The Company's total gross profit amounted to NIS 719 million in the second quarter of 2009, compared with NIS 748 million in the corresponding quarter of last year – a decrease of NIS 29 million. The gross profit rate was 25.8% in the second quarter of the year, compared with 26.8% in the corresponding quarter of last year.

The Company's selling, marketing, administrative and general expenses amounted to NIS 586 million in the second quarter of 2009, compared with NIS 589 million in the corresponding quarter of last year. The ratio of expenses to revenues was 21.1% as in the corresponding quarter of last year.

The operating profit before other income and expenses amounted to NIS 133 million in the second quarter of 2009, compared with NIS 159 million in the corresponding quarter of last year – a decrease of NIS 26 million. The decrease in operating profit before other income and expenses stemmed from the decrease in the gross profit. The operating profit rate before other income and expenses was 4.8% in the current quarter, compared with 5.7% in the corresponding quarter of last year.

There was no change in the value of investment property in the second quarter of 2009, compared with an increase in the amount of about NIS 35 million in the corresponding quarter of last year. The increase in the value and sale of investment property item in the second quarter of 2008 was a result of the capital gain on the sale of shares of Kanyonim in the amount of NIS 29 million and the revaluation of investment property in the amount of about NIS 6 million.

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The operating profit after other income and expenses amounted to NIS 133 million in the second quarter of 2009, compared with operating profit after other income and expenses of NIS 191 million in the corresponding quarter of last year.

The operating profit before other income and expenses and before depreciation and amortization (EBITDA) was NIS 188 million in the second quarter of 2009, compared with NIS 223 million in the corresponding quarter of last year. The rate of operating profit before other income and expenses and before depreciation and amortization was 6.8% in the second quarter of 2009, compared with 8.0% in the corresponding quarter of last year.

The net financing expenses in the second quarter of 2009 amounted to about NIS 3 million, compared with net financing expenses of about NIS 37 million in the corresponding quarter of last year. The change in the net financing expenses derived mainly from income stemming from revaluation of hedging transactions (income of about NIS 43 million in the second quarter of 2009 compared with income of about NIS 31 million in the corresponding quarter of last year), the impact of the decline in inflation on the Company's CPI-linked liabilities (the increase in the "known" index in the second quarter of 2009 was 1.9%, compared with an increase of 2.4% in the corresponding quarter last year) and the decrease in financing expenses that is due to the implementation of business combinations according to IFRS.

The tax expenses in the second quarter of 2009 amounted to about NIS 34 million, compared with tax expenses of about NIS 50 million in the corresponding quarter of last year. The Company's effective tax rate in the second quarter of 2009 was about 26%, compared with about 33% in the corresponding quarter of last year. The decline in the second quarter of 2009 in the tax expenses and in the tax rate compared with the corresponding quarter of last year stems from the decline in profit before tax and the cancelling of a loan to Clubmarket following approval of the merger.

The net profit in the second quarter of 2009 amounted to NIS 96 million, compared with net profit of NIS 101 million in the corresponding quarter of last year – a decrease of about 5.0%.

In the second quarter of 2009 the basic and diluted earnings per Company share amounted to NIS 0.46, compared with NIS 0.49 in the corresponding quarter of last year.

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Analysis of the results for the six months ended June 30 2009 compared with the corresponding period last year

	Results of operations			
	Six months ended June 30, 2009		Six months ended June 30, 2008	
	%	NIS millions	%	NIS millions
Revenues		5,415		5,373
Gross profit	25.8%	1,399	26.9%	1,445
Selling, marketing, administrative and general expenses	21.4%	(1,159)	21.5%	(1,155)
Operating profit before other income and expenses	4.4%	240	5.4%	290
Other expenses		-		(4)
Increase in value and sale of investment property		-		80
Operating profit after other income and expenses		240		366
Financing income (expenses), net		5		(80)
Taxes on income		(63)		(109)
Group's share in losses of affiliated company, net		-		(4)
Profit for the period		182		173

In the first half of 2009, the slowdown in the economic activities continued and the competition in the retail food market continued to be strong.

In the first half of 2009 the sales of the retail segment amounted to NIS 5,387 million, compared with NIS 5,336 million in the corresponding period of last year, an increase of NIS 51 million (about 1%) that is mainly due to an increase in selling space because of the opening of new branches.

The decrease in "same store" sales that were in full operation in this half compared with the corresponding half of last year is 0.4%. The sales per sq.m in the Company's stores in the first half of 2009 were NIS 10,717, compared with NIS 10,750 in the corresponding half of last year.

In the first half of 2009 the revenues in the rental real estate segment amounted to NIS 28 million compared with NIS 37 million in the corresponding period of last year – a decrease of about 24%. The decrease in revenues stemmed mainly from the sale of investment property during 2008.

The Company's total revenues amounted to NIS 5,415 million in the first half of 2009, compared with NIS 5,373 million in the corresponding period of last year, an increase of about 1%.

The gross profit in the retail segment was NIS 1,389 million in the first half of 2009 compared with NIS 1,427 million in the corresponding period of last year – a decrease of NIS 38 million. The gross profit rate was 25.8% in the first half of 2009 compared with 26.7% in the corresponding period of last year. The decrease in gross profit rate is mainly due to the continuing competition in the food retail market.

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The gross profit in the rental real estate segment was NIS 10 million in the first half of 2009 compared with NIS 18 million in the corresponding period of last year – a decrease of NIS 8 million. The decrease in gross profit stemmed from the decrease in revenues as mentioned above.

The Company's total gross profit amounted to NIS 1,399 million in the first half of 2009, compared with NIS 1,445 million in the corresponding period of last year – a decrease of NIS 46 million. The gross profit rate was 25.8% in the first half of the year, compared with 26.9% in the corresponding half of last year.

The Company's selling, marketing, administrative and general expenses amounted to NIS 1,159 million in the first half of 2009, compared with NIS 1,155 million in the corresponding half of last year. The ratio of expenses to revenues was 21.4% compared with 21.5% in the corresponding period of last year.

The operating profit before other income and expenses amounted to NIS 240 million in the first half of 2009, compared with NIS 290 million in the corresponding period of last year – a decrease of NIS 50 million. The decrease in operating profit before other income and expenses stemmed from the decrease in the gross profit. The operating profit rate before other income and expenses was 4.4% in the current half, compared with 5.4% in the corresponding period of last year.

There was no change in the value of investment property in the first half of 2009, compared with an increase in the amount of about NIS 80 million in the corresponding period of last year. The increase in the value and sale of investment property item in the first half of 2008 was a result of the capital gain on the sale of shares of Kanyonim in the amount of NIS 29 million and the revaluation of investment property in the amount of about NIS 51 million.

The operating profit after other income and expenses amounted to NIS 240 million in the first half of 2009, compared with operating profit after other income and expenses of NIS 366 million in the corresponding period of last year.

The operating profit before other income and expenses and before depreciation and amortization (EBITDA) was NIS 349 million in the first half of 2009, compared with NIS 412 million in the corresponding period of last year. The rate of the operating profit before other income and expenses and before depreciation and amortization was 6.5% in the first half of 2009, compared with 7.7% in the corresponding period of last year.

The net financing income in the first half of 2009 amounted to about NIS 5 million, compared with net financing expenses of about NIS 80 million in the corresponding period of last year. The change in the net financing expenses derived mainly from income stemming from revaluation of hedging transactions (income of NIS 57 million in the first half of 2009 compared with income of NIS 21 million in the corresponding half of last year), the impact of the decline in inflation on the Company's CPI-linked liabilities (the increase in the "known" index in the first half of 2009 was 1.2%, compared with an increase of 2.8% in the corresponding half of last year) and the decrease in financing expenses that is due to the implementation of business combinations according to IFRS.

The tax expenses in the first half of 2009 amounted to about NIS 63 million, compared with tax expenses of about NIS 109 million in the corresponding period of last year. The Company's effective tax rate in the first half of 2009 was about 26%, compared with about 39% in the corresponding period of last year. The decline in the tax expenses and in the tax rate stems from the decline in profit and from tax expenses in the amount of NIS 38 million from the sale of real estate in the corresponding period of last year and the cancelling of a loan to Clubmarket following approval of the merger.

The net profit in the first half of 2009 amounted to NIS 182 million, compared with net profit of NIS 173 million in the corresponding half of last year – an increase of about 5%.

In the first half of 2009 the basic and diluted earnings per Company share amounted to NIS 0.88, compared with NIS 0.84 in the corresponding period of last year.

C. Financial Position, Liquidity and Financing Resources

Cash flows from operating activities

Net cash provided by operating activities was NIS 76 million in the second quarter of 2009, compared with NIS 125 million in the corresponding quarter of last year. The decrease in the cash flows provided by operating activities stemmed from the decrease in operating profit.

Cash flows from investing activities

Net cash provided by investing activities reached NIS 31 million in the second quarter of 2009, compared with NIS 127 million that was provided by investing activities in the corresponding quarter of last year. The cash provided by investing activities in the second quarter of 2009 is comprised mainly of the acquisition of fixed assets in the amount of NIS 43 million and on the other hand the net sale of marketable securities in the amount of NIS 77 million. The cash provided by investing activities in the second quarter of 2008 was comprised mainly of the acquisition of fixed assets in the amount of NIS 60 million and on the other hand the consideration from the sale of shares of Kanyonim and an additional real estate property in the amount of NIS 204 million.

Cash flows from financing activities

In the second quarter of 2009 no cash was used or provided by financing activities compared with net cash used in financing activities in the amount of NIS 275 million in the corresponding quarter of last year. The cash used in financing activities in the second quarter of 2008 was comprised mainly of the payment of a dividend in the amount of NIS 259 million.

As at the end of the second quarter of 2009, the Company's consolidated net liquid assets (cash, cash equivalents and marketable securities net of overdrafts) were NIS 346 million, compared with NIS 446 million at the end of the corresponding quarter of last year (the total net liquid assets at the end of last year amounted to NIS 248 million).

Financial ratios

As at the end of the second quarter of 2009, the Company had liabilities to banks and to debenture holders, including interest payable (hereinafter – “the Financial Debt”), in the amount of NIS 1,819 million, compared with NIS 1,860 million as at the end of the corresponding quarter of last year. The ratio of loans and debentures to total balance sheet at the end of the second quarter of 2009 was about 33%, compared with about 34% as at the end of the corresponding quarter of last year.

(The total Financial Debt at the end of last year amounted to about NIS 1,938 million, and the ratio of loans and debentures to total balance sheet was about 36% at the end of last year).

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The Company's shareholders' equity as at the end of the second quarter of 2009 was NIS 1,346 million, compared with NIS 1,359 million as at the end of the corresponding quarter of last year. The ratio of the shareholders' equity to total balance sheet at the end of the second quarter of 2009 was about 25%, the same as at the end of the corresponding quarter of last year.

(The total shareholders' equity at the end of last year amounted to NIS 1,249 million and the ratio of shareholders' equity to total balance sheet at the end of last year was about 23%).

Condensed Consolidated Interim Statement of Financial Position

	June 30 2009 <u>(Unaudited)</u> <u>NIS millions</u>	June 30 2008 <u>(Unaudited)</u> <u>NIS millions</u>	December 31 2008 <u>(Audited)</u> <u>NIS millions</u>
Assets			
Cash and cash equivalents	229	260	63
Marketable securities	117	186	185
Trade receivables	1,159	1,183	1,196
Other receivables	94	* 142	* 144
Current tax assets	10	-	20
Inventory	651	* 644	* 595
Total current assets	2,260	2,415	2,203
Long-term loans to others	12	23	23
Long-term loans to an affiliate	50	31	46
Other investments	12	* 20	8
Investment property	320	342	320
Fixed assets	1,818	* 1,780	* 1,838
Intangible assets and deferred expenses	725	798	734
Prepaid lease fees	133	120	133
Deferred taxes	132	23	146
Right to reimbursement in respect of employee benefits	3	3	2
Total non-current assets	3,205	3,140	3,250
Total assets	5,465	5,555	5,453

* Reclassified. See Note 2C.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

	June 30 2009 <u>(Unaudited)</u> <u>NIS millions</u>	June 30 2008 <u>(Unaudited)</u> <u>NIS millions</u>	December 31 2008 <u>(Audited)</u> <u>NIS millions</u>
Liabilities			
Bank credit	3	40	32
Current maturities in respect of notes	60	61	61
Trade payables	1,593	1,527	1,500
Other payables	485	* 624	* 531
Current tax liabilities	-	3	-
Provisions in respect of claims and legal proceedings	7	6	7
Total current liabilities	2,148	2,261	2,131
Long-term liabilities			
To banks and others	48	40	* 96
In respect of notes	1,718	1,734	1,760
Employee benefits	46	39	61
Other	53	30	58
Company's share of equity deficiency of affiliated company	32	28	32
Deferred taxes	74	64	66
Total non-current liabilities	1,971	1,935	2,073
Equity			
Share capital	239	239	239
Premium on shares	510	501	510
Reserve in respect of available-for-sale financial assets	10	9	3
Treasury shares	(85)	(85)	(85)
Retained earnings	671	693	581
Total equity attributable to equity holders of the Company	1,345	1,357	1,248
Minority interest	1	2	1
Total equity	1,346	1,359	1,249
Total liabilities and equity	5,465	5,555	5,453

* Reclassified. See Note 2C.

Raphi Bisker
Co-Chairman of the
Board of Directors

Shalom Fisher
Co-Chairman of the
Board of Directors

Effie Rozenhaus
Chief Executive Officer

Shlomo Zohar
Chief Financial Officer

Date of approval: July 27, 2009

The accing notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Income

	Six months ended		Three months ended		Year ended
	June 30 2009 (Unaudited) NIS millions	June 30 2008 (Unaudited) NIS millions	June 30 2009 (Unaudited) NIS millions	June 30 2008 (Unaudited) NIS millions	December 31 2008 (Audited) NIS millions
Revenues					
Sales	5,387	5,336	2,769	2,770	10,897
Rentals and operation of shopping malls	28	37	15	18	65
	5,415	5,373	2,784	2,788	10,962
Costs					
Cost of sales	3,998	3,909	2,055	2,030	7,967
Cost of services and operation expenses of shopping malls	18	19	10	10	40
	4,016	3,928	2,065	2,040	8,007
Gross profit	1,399	1,445	719	748	2,955
Selling and marketing expenses	1,086	1,075	548	547	2,243
General and administrative expenses	73	80	38	42	142
Total selling, marketing, general and administrative expenses	1,159	1,155	586	589	2,385
Operating profit before other income and expenses	240	290	133	159	570
Goodwill adjustments and other expenses	-	(4)	-	(3)	(132)
Other income	-	29	-	29	29
Increase fair in value of investment property	-	51	-	6	45
Total other income (expenses), net	-	76	-	32	(58)
Operating profit after other income and expenses	240	366	133	191	512
Financing expenses	(81)	(137)	(63)	(71)	(262)
Financing income	86	57	60	34	58
Financing income (expenses), net	5	(80)	(3)	(37)	(204)
Company's share of losses of affiliated company, net	-	(4)	-	(3)	(8)
Profit before taxes on income	245	282	130	151	300
Taxes on income	(63)	(109)	(34)	(50)	(18)
Profit for the period	182	173	96	101	282
Attributable to:					
Equity holders of the Company	182	173	96	101	283
Minority interest	-	-	-	-	(1)
Profit for the period	182	173	96	101	282
	NIS	NIS	NIS	NIS	NIS
Earnings per share (basic and diluted):					
Basic earnings per share	0.88	0.84	0.46	0.49	1.38
Diluted earnings per share	0.88	0.84	0.46	0.49	1.37

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2009	2008	2009	2008	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period	182	173	96	101	282
Net change in fair value of available-for-sale financial assets	13	7	5	6	(3)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(4)	(7)	(4)	(4)	(4)
Defined benefit plan actuarial gains (losses)	15	(3)	23	(3)	(26)
Income tax on income and expense recognized directly in equity	(6)	1	(6)	1	8
Other comprehensive income (expense) for the period, net of income tax	18	(2)	18	-	(25)
Total comprehensive income for the period	200	171	114	101	257
Attributable to:					
Equity holders of the Company	200	171	114	101	258
Minority interest	-	-	-	-	(1)
Total comprehensive income for the period	200	171	114	101	257

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Reserve from available-for-sale financial instruments	Treasury shares	Retained earnings	Total	Minority interest	Total equity
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the six months ended June 30, 2009 (unaudited)								
Balance as at January 1, 2009 (audited)	239	510	3	(85)	581	1,248	1	1,249
Benefit in respect of options allotted to employees	-	-	-	-	1	1	-	1
Exercise of employee share options	* -	* -	-	-	-	* -	-	* -
Dividend paid (1)	-	-	-	-	(104)	(104)	-	(104)
Total comprehensive income for the period	-	-	7	-	193	200	-	200
Balance as at June 30, 2009	239	510	10	(85)	671	1,345	1	1,346
For the six months ended June 30, 2008 (unaudited)								
Balance as at January 1, 2008 (audited)	239	492	9	(85)	777	1,432	2	1,344
Benefit in respect of options allotted to employees	-	-	-	-	4	4	-	4
Exercise of employee share options	* -	9	-	-	-	9	-	9
Dividend paid (1)	-	-	-	-	(259)	(259)	-	(259)
Total comprehensive income for the period	-	-	-	-	171	171	-	171
Balance as at June 30, 2008	239	501	9	(85)	693	1,357	2	1,359

The presentation of the statement of changes in equity was changed as a result of the initial implementation of revised IAS 1 in these financial statements. See also Note 3(1)A regarding the initial implementation of new standards.

(1) Net of a dividend to a subsidiary on its shares in the Company.

* An amount lower than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	Share capital	Share premium	Reserve from available-for-sale financial instruments	Treasury shares	Retained earnings	Total	Minority interest	Total equity
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the three months ended June 30, 2009 (unaudited)								
Balance as at April 1, 2009 (unaudited)	239	510	9	(85)	558	1,231	1	1,232
Benefit in respect of options allotted to employees	-	-	-	-	* -	* -	-	* -
Exercise of employee share options	* -	* -	-	-	-	* -	-	* -
Total comprehensive income for the period	-	-	1	-	113	114	-	114
Balance as at June 30, 2009	239	510	10	(85)	671	1,345	1	1,346
For the three months ended June 30, 2008 (unaudited)								
Balance as at April 1, 2008 (unaudited)	239	500	7	(85)	851	1,512	2	1,514
Benefit in respect of options allotted to employees	-	-	-	-	2	2	-	2
Exercise of employee share options	* -	1	-	-	-	1	-	1
Dividend paid (1)	-	-	-	-	(259)	(259)	-	(259)
Total comprehensive income for the period	-	-	2	-	99	101	-	101
Balance as at June 30, 2008	239	501	9	(85)	693	1,357	2	1,359

The presentation of the statement of changes in equity was changed as a result of the initial implementation of revised IAS 1 in these financial statements. See also Note 3(1)A regarding the initial implementation of new standards.

(1) Net of a dividend to a subsidiary on its shares in the Company.

* An amount lower than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)

	Share capital	Share premium	Reserve from available-for-sale financial instruments	Treasury shares	Retained earnings	Total	Minority interest	Total equity
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the year ended December 31, 2008 (audited)								
Balance as at January 1, 2008 (audited)	239	492	9	(85)	777	1,432	2	1,434
Benefit in respect of options allotted to employees	-	-	-	-	5	5	-	5
Exercise of employee share options	* -	18	-	-	-	18	-	18
Dividend paid (1)	-	-	-	-	(465)	(465)	-	(465)
Total comprehensive income for the period	-	-	(6)	-	264	258	(1)	257
Balance as at December 31, 2008	239	510	3	(85)	581	1,248	1	1,249

The presentation of the statement of changes in equity was changed as a result of the initial implementation of revised IAS 1 in these financial statements. See also Note 3(1)A regarding the initial implementation of new standards.

(1) Net of a dividend to a subsidiary on its shares in the Company.

* An amount lower than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2009	*2008	2009	*2008	*2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from operating activities					
Profit for the period	182	173	96	101	282
Adjustments for:					
Depreciation of fixed assets	96	104	49	52	205
Amortization of intangible assets and deferred expenses	13	18	6	12	31
Taxes on income, net	63	109	34	50	18
Income tax paid, net	(43)	(85)	(31)	(57)	(132)
Company's shares of losses of affiliated company, net	-	4	-	3	8
Increase in fair value of investment property, net	-	(51)	-	(6)	(45)
Decrease in employee benefits	(3)	(3)	-	(2)	(5)
Capital losses, net	-	4	-	3	5
Capital gain on sale of proportionately consolidated investment	-	(29)	-	(29)	(29)
Financing expenses (income)	(5)	80	3	37	204
Future rent	(2)	(1)	(2)	(1)	-
Benefit in respect of employee stock options allotment	1	4	-	2	5
Adjustment of Clubmarket goodwill to profit or loss	-	-	-	-	127
Prepaid lease fees	-	1	-	1	1
Increase (decrease) in trade receivables	45	(94)	139	-	(97)
Decrease (increase) in other receivables	60	(78)	1	(45)	(59)
Decrease (increase) in inventory	(56)	(58)	64	77	(9)
Increase (decrease) in trade payables	113	89	(130)	(113)	40
Increase (decrease) in other payables, provisions and long-term liabilities	2	149	(153)	40	68
Net cash from operating activities	466	336	76	125	618
Cash flows from investing activities					
Purchase of fixed assets	(93)	(91)	(43)	(60)	(224)
Proceeds from sale of fixed assets	-	4	-	-	8
Investment in deferred expenses and intangible assets	(7)	(5)	(4)	(3)	(15)
Purchase of marketable securities	(33)	(169)	(17)	(95)	(218)
Proceeds from sale of marketable securities	114	283	94	104	323
Cash paid (received) in respect of futures	5	(2)	1	2	7
Loans granted	-	(10)	-	(10)	(10)
Loans to affiliated company	(4)	(16)	(2)	(11)	(29)
Long-term loans repayment	-	1	-	1	2
Investment in investment property	-	(9)	-	(9)	(14)
Proceeds from sale of investment property	-	47	-	47	47
Prepaid lease fees	-	-	-	-	(13)
Proceeds from sale of proportionately consolidated company	-	157	-	157	157
Exercise of option to purchase partnership	-	-	-	-	(80)
Acquisition of operation	-	-	-	-	(34)
Interest received	5	13	2	4	20
Net cash from (used in) investing activities	(13)	203	31	127	(73)

* Reclassified. See Note 2C(3)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows (cont'd)

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2009	*2008	2009	*2008	*2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from financing activities					
Repayment of notes	(61)	(59)	-	-	(59)
Dividend paid	(104)	(259)	-	(259)	(465)
Partners' share in profits of partnership	-	(20)	-	(14)	(20)
Exercise of stock options by employees	-	9	-	1	18
Receipt of long-term loans from banks	-	6	-	-	7
Repayment of long-term loans from banks	(30)	(45)	-	(2)	(55)
Change in short-term credit	-	(1)	-	-	(1)
Partners' loans	-	1	-	-	4
Interest paid	(92)	(94)	-	(1)	(94)
Net cash used in financing activities	(287)	(462)	-	(275)	(665)
Increase (decrease) in cash and cash equivalents	166	77	107	(23)	(120)
Balance of cash and cash equivalents at the beginning of the period	63	183	122	** 283	183
Balance of cash and cash equivalents at the end of the period	229	260	229	260	63

* Reclassified. See Note C(3).

** Includes balance of cash in respect of an asset classified as held for sale.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Financial Statements as at June 30, 2009 (Unaudited)

Note 1 - Reporting Entity

Shufersal Ltd. (hereinafter – the “Company” and/or “Shufersal”) is an Israeli resident company incorporated in Israel. The address of the Company’s registered office is 30 Benyamin Shmotkin Street, Rishon-Le-Zion. The condensed consolidated financial statements of the Group as at June 30, 2009 comprise the Company, its subsidiaries and jointly controlled entities (together referred to as the “Group”) and the Group’s interest in an affiliate. The Company is mainly held by Discount Investment Corporation Ltd. and Bronfman, Fisher, Gad Investments Ltd. The Group primarily is involved in the operation of a chain of supermarkets in Israel. The Company also operates in the area of income-producing property directly through rental of different types of property and through investee companies that operate shopping centers and commercial centers. The securities of the Company are registered for trade on the Tel Aviv Stock Exchange.

Note 2 - Basis of Preparation**A. Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2008. Furthermore, these financial statements have been prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

These financial statements are presented here in English in condensed form. The Group’s unaudited consolidated interim financial statements in Hebrew containing full notes and the auditor’s review report are available on the Company’s website and on the site of the Securities Authority.

These condensed consolidated interim financial statements were authorized for issue by the Group’s Board of Directors on July 27, 2009.

B. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2008.

Notes to the Financial Statements as at June 30, 2009 (Unaudited)

Note 2 - Basis of Preparation (cont'd)**C. Change in classification**

As at June 30, 2009 the Company reclassified certain items in respect of immaterial amounts as follows:

1. Items relating to maintenance and spare parts were reclassified from inventory to fixed assets. Comparative amounts were reclassified for consistency, which resulted in NIS 14 million and NIS 12 million as at June 30, 2008 and December 31, 2008, respectively, being reclassified from inventory to fixed assets.
2. Derivative financial instruments were reclassified as at June 30, 2008 from other receivables to other payables and to other investments. Comparative amounts were reclassified for consistency, following which as at June 30, 2008 the amount of NIS 11 million was reclassified from other receivables to other investments and the amount of NIS 5 million was reclassified to other payables.

Derivative financial instruments were reclassified as at December 31, 2008 from other payables to liabilities to banks and others and to other receivables. Comparative amounts were reclassified for consistency, following which as at December 31, 2008 the amount of NIS 53 million was reclassified from other payables to liabilities to banks and others, and the amount of NIS 3 million was reclassified from other payables to other receivables.

3. The Company reclassified the financing expenses in the statement of cash flows that were included in various items of operating activities for the periods ended June 30, 2008 and December 31, 2008, for the purpose of presenting them as separate items.

Note 3 - Significant Accounting Policies

Except as described below in Item (1), the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2008.

Presented hereunder is a description of the changes in accounting policies that were applied in these condensed consolidated interim financial statements and their effect

(1) Initial implementation of new standards**a. Presentation of financial statements**

As from January 1, 2009 the Company implements revised IAS 1, *Presentation of Financial Statements* (hereinafter – the Standard). The Standard allows the presentation of one statement of comprehensive income (a combined statement of income and of other comprehensive income) or two statements – a statement of income and a separate statement of comprehensive income. The Company has chosen to present income and expense items and components of

Notes to the Financial Statements as at June 30, 2009 (Unaudited)

other comprehensive income in two separate statements – a statement of income followed by a statement of comprehensive income. Furthermore, the Group presents a statement of changes in equity immediately after the statement of comprehensive income instead of in the notes. The statement includes changes in equity resulting from transactions with owners of the parent company in their capacity as owners (such as dividends, transactions with controlling shareholders, issuance of shares and/or options, etc.). The Standard is applied on a retrospective basis.

b. Segment reporting

As from January 1, 2009 the Company implements IFRS 8, *Operating Segments* (hereinafter – the Standard). The Standard determines that the “management approach” should be used in segment reporting, meaning in accordance with the format of the internal reports provided to the chief operating decision maker of the Company. Segment information in respect of prior reporting periods was restated so as to reflect the change in the composition of the Company’s reportable segments.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, its operating results are reviewed regularly by the Company’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess the performance, and discrete financial information is available in its respect.

(2) New standards and interpretations not yet adopted

- Revised IFRS 3 *Business Combinations* (2008) and Revised IAS 27 *Consolidated and Separate Financial Statements* (2008) (hereinafter – the Standards). The principal relevant revisions in the Standards are as follows:
 - a. The definition of a business has been broadened, which will result in more acquisitions being treated as business combinations.
 - b. Transactions resulting in discontinuance of consolidation are to be accounted for at full fair value, so that the residual holding after discontinuance of the consolidation is remeasured on the date of discontinuing the consolidation, at fair value, through profit or loss.
 - c. Transactions resulting in the consolidation of financial statements (that were not consolidated before then) are to be accounted for at full fair value, so that the original holding before the consolidation is remeasured on the first date of consolidation, at fair value, through profit or loss.
 - d. The non-controlling interest (minority interest) will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Notes to the Financial Statements as at June 30, 2009 (Unaudited)

- e. Acquisitions of additional shares or partial sales of existing shares, without the Company discontinuing consolidation of the financial statements of the companies in respect of which the transactions were performed, are to be accounted for so that all the differences deriving from the transactions are included directly in equity (including differences that in the past would have been included in profit or loss or as goodwill).
- f. Transaction costs will be expensed as incurred.
- g. Measurement at fair value of contingent considerations in business combinations with changes in estimates relating to a contingent consideration that is a financial liability being recognized in profit or loss.
- h. Goodwill is not to be adjusted in respect of the utilization of carry-forward tax losses that existed on the date of acquiring businesses.
- i. The attribution of comprehensive income to all the shareholders, even when the subsidiary has an equity deficiency.

These standards shall apply to reporting periods beginning on or after July 1, 2009, and early adoption is permitted (both standards at the same time). The principal revisions of these standards shall be applied prospectively, meaning in respect of transactions as from the initial date of implementation.

- In the framework of the 2009 Improvements to IFRSs project, in April 2009 the IASB published and approved 15 amendments to various IFRS on a wide range of accounting issues. Most of the amendments shall apply to periods beginning on or after January 1, 2010 and permit early adoption, subject to the specific conditions of each amendment.

Presented hereunder are the amendments that may be relevant to the Company:

- * Amendment to IAS 17, *Leases* – Classification of leases of land and buildings (hereinafter – the Amendment) – In accordance with the Amendment, a lease of land does not have to be classified as an operating lease in every case that ownership is not expected to pass to the lessee at the end of the lease period. In accordance with the amended standard, a land lease is to be examined according to the regular criteria for classifying a lease as a finance lease or as an operating lease.

The Amendment also provides that when a lease includes both a land component and a buildings component, the classification of each component should be based on the criteria of the standard, with the principal consideration regarding the classification of land being the fact that land normally has an indefinite useful life.

The Amendment applies to financial statements for annual periods beginning on or after January 1, 2010. Earlier application is permitted with disclosure. The Amendment is to be implemented retrospectively, which means that the classification of land leases is to be examined on the basis of the information

Notes to the Financial Statements as at June 30, 2009 (Unaudited)

that was available on the date of the lease agreement, and that in the event of reclassification of the lease, the provisions of IAS 17 are to be implemented retrospectively as from the date of the lease agreement. Nevertheless, if the entity does not have the information necessary to apply the amendment retrospectively, it should use the information available on the adoption date of the Amendment and recognize the asset and liability related to a land lease that was classified as a result of the Amendment as a finance lease according to their fair value as at that date. Any difference between the fair value of the asset and the fair value of the liability shall be recognized in retained earnings. The Company is examining the effect of the aforementioned on its financial statements.

- * Amendment to IAS 36, *Impairment of Assets* – Unit of accounting for goodwill impairment test (hereinafter – the Amendment) – In accordance with the Amendment, for purposes of impairment testing the largest cash-generating unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria in Paragraph 12 of IFRS 8. The Amendment is to be applied prospectively for annual periods beginning on or after January 1, 2010. Earlier application is permitted with disclosure. The Company is examining the effect of the aforementioned on its financial statements.

(3) Presented hereunder are the rates of change in the Consumer Price Index and dollar exchange rate:

	Consumer Price Index		Dollar exchange rate %
	On the basis of the known index	On the basis of the current month index	
	%	%	
In the six months ended June 30, 2009	1.2	2.1	1.2
In the three months ended June 30, 2009	1.9	2.3	(7.3)
In the six months ended June 30, 2008	2.8	2.3	(12.8)
In the three months ended June 30, 2008	2.4	2.2	(5.7)
In the year ended December 31, 2008	4.5	3.8	-

CPI – The Consumer Price Index published by the Central Bureau of Statistics.

Note 4 - Seasonality

The Company's retail segment business results are subject to seasonal fluctuations as a result of the consumption behavior of the population proximate to the holiday season in Israel. This also affects the balance sheet values of inventory, customers and suppliers.

Notes to the Financial Statements as at June 30, 2009 (Unaudited)

Note 5 - Dividend Distribution

On February 9, 2009 the Company's Board of Directors decided to distribute a dividend in the amount of NIS 108 million (NIS 104 million net of the dividend to a subsidiary). The dividend (NIS 0.5 per share) was paid on March 4, 2009 to the shareholders on record as at February 18, 2009.

Note 6 - Subsequent Events

- A.** On July 22, 2009 the Company published a shelf registration prospectus on the basis of its financial statements for March 31, 2009.
- B.** On July 27, 2009 the Company's Board of Directors decided to distribute a dividend in the amount of NIS 150 million (NIS 144 million net of the dividend to a subsidiary).