

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

Periodic Report for the Nine Months Ended September 30, 2009

Contents

Condensed Board of Directors' Report to the Shareholders

Condensed Consolidated Financial Statements as at September 30, 2009

We are pleased to present the Report of the Board of Directors of Shufersal Ltd. (**hereinafter – “Shufersal” and/or “the Company”**) for the nine months ended September 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 September 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 September 30, 2009, the Company has 241 stores covering a total area of about 518 thousand sq.m. As at September 30, 2008, the Company had 231 stores covering a total area of about 514 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 Bailsol 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 September 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 September 30, 2009 compared with the corresponding period last year

	Results of operations			
	Third quarter of 2009		Third quarter of 2008	
	%	NIS millions	%	NIS millions
Revenues		2,880		2,892
Gross profit	25.8%	742	26.7%	773
Selling, marketing, administrative and general expenses	21.4%	(616)	21.7%	(626)
Operating profit before other income and expenses	4.4%	126	5.1%	147
Decrease in value and sale of investment property		(1)		-
Operating profit after other income and expenses		125		147
Financing expenses, net		(38)		(58)
Taxes on income		(23)		(25)
Company's share in losses of affiliated company, net		(1)		(5)
Profit for the period		63		59

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In the third quarter of 2009 the competition in the retail food market continued to be strong.

In the third quarter of 2009 the sales of the retail segment amounted to NIS 2,865 million, compared with NIS 2,878 million in the corresponding quarter of last year, a decrease of NIS 13 million (0.5%).

There was a decrease of 1.6% in "same store" sales. The decrease in sales is mainly due to the decline in selling prices because of the strong competition.

The sales per sq.m in the Company's stores were NIS 5,710 in the third quarter of 2009, compared with NIS 5,770 in the corresponding quarter of last year – a decrease of 1.0%.

In the third quarter of 2009 the revenues in the rental real estate segment amounted to NIS 15 million compared with NIS 14 million in the corresponding quarter of last year. The increase is mainly the result of an increase in the leasing out of available property.

The Company's total revenues amounted to NIS 2,880 million in the third quarter of 2009, compared with NIS 2,892 million in the corresponding quarter of last year.

The gross profit in the retail segment was NIS 736 million in the third quarter of 2009 compared with NIS 769 million in the corresponding quarter of last year – a decrease of NIS 33 million. In the third quarter of the year the gross profit rate was 25.7% compared with 26.7% in the corresponding quarter of last year. The decrease in the gross profit rate in the retail segment is mainly due to the decline in selling prices as a result of the competition in the food retail market.

The gross profit in the rental real estate segment was NIS 6 million in the third quarter of 2009 compared with NIS 4 million in the corresponding quarter of last year – an increase of NIS 2 million.

The Company's total gross profit amounted to NIS 742 million in the third quarter of 2009, compared with NIS 773 million in the corresponding quarter of last year – a decrease of NIS 31 million. The gross profit rate was 25.8% in the third quarter of the year, compared with 26.7% in the corresponding quarter of last year.

The Company's selling, marketing, administrative and general expenses amounted to NIS 616 million in the third quarter of 2009, compared with NIS 626 million in the corresponding quarter of last year. The decline is mainly due to a decrease in advertising and electricity expenses. The ratio of expenses to revenues was 21.4% compared with 21.7% in the corresponding quarter of last year.

The operating profit before other income and expenses amounted to NIS 126 million in the third quarter of 2009, compared with NIS 147 million in the corresponding quarter of last year. The operating profit rate before other income and expenses was 4.4% in the current quarter, compared with 5.1% in the corresponding quarter of last year. The decrease in the operating profit and operating profit rate is mainly due to the aforementioned decrease in the gross profit.

The operating profit after other income and expenses amounted to NIS 125 million in the third quarter of 2009, compared with operating profit after other income and expenses of NIS 147 million in the corresponding quarter of last year.

The operating profit before other income and expenses and before depreciation and amortization (EBITDA) was NIS 180 million in the third quarter of 2009, compared with NIS 203 million in the corresponding quarter of last year. The rate of operating profit before other income and expenses and before depreciation and amortization was 6.3% in the third quarter of 2009, compared with 7.0% in the corresponding quarter of last year.

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The net financing expenses in the third quarter of 2009 amounted to about NIS 38 million, compared with net financing expenses of about NIS 58 million in the corresponding quarter of last year. The decrease in the net financing expenses derived mainly from income stemming from revaluation of hedging transactions. Income of about NIS 28 million was recognized in the third quarter of 2009 compared with an expense of about NIS 4 million in the corresponding quarter of last year. The increase in the "known" index in the third quarter of 2009 was 2.4%, compared with an increase of 2.1% in the corresponding quarter last year.

The tax expenses in the third quarter of 2009 amounted to about NIS 23 million, compared with tax expenses of about NIS 25 million in the corresponding quarter of last year. The Company's effective tax rate in the third quarter of 2009 was about 26%, compared with about 28% in the corresponding quarter of last year.

The net profit in the third quarter of 2009 amounted to NIS 63 million, compared with net profit of NIS 59 million in the corresponding quarter of last year – an increase of about 6.8%.

In the third quarter of 2009 the basic and diluted earnings per Company share amounted to NIS 0.30, compared with NIS 0.28 in the corresponding quarter of last year.

Condensed Directors' Report for the Nine Months Ended September 30, 2009

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Analysis of the results for the nine months ended September 30, 2009 compared with the corresponding period last year

	Results of operations			
	Nine months ended September 30, 2009		Nine months ended September 30, 2008	
	%	NIS millions	%	NIS millions
Revenues		8,295		8,265
Gross profit	25.8%	2,141	26.8%	2,218
Selling, marketing, administrative and general Expenses	21.4%	(1,775)	21.6%	(1,781)
Operating profit before other income and expenses	4.4%	366	5.3%	437
Other expenses		-		(4)
Increase (decrease) in value and sale of investment property		(1)		80
Operating profit after other income and expenses		365		513
Financing expenses, net		(33)		(138)
Taxes on income		(86)		(134)
Company's share in losses of affiliated company, net		(1)		(9)
Profit for the period		245		232

In the first nine months of 2009, the competition in the retail food market continued to be strong.

In the first nine months of 2009 the sales of the retail segment amounted to NIS 8,252 million, compared with NIS 8,214 million in the corresponding period of last year, an increase of NIS 38 million (about 0.5%) that is mainly due to the opening of new branches which was partly offset by a decline in selling prices following the strong competition in the food retail market.

The decrease in "same store" sales that were in full operation in the first nine months of the year compared with the corresponding period of last year is 0.8% as a result of the aforementioned decline in selling prices.

The sales per sq.m in the Company's stores in the first nine months of 2009 were NIS 16,451, compared with NIS 16,521 in the corresponding period of last year.

In the first nine months of 2009 the revenues in the rental real estate segment amounted to NIS 43 million compared with NIS 51 million in the corresponding period of last year – a decrease of about 16%. The decrease in revenues stemmed mainly from the sale of investment property during 2008.

The Company's total revenues amounted to NIS 8,295 million in the first nine months of 2009, compared with NIS 8,265 million in the corresponding period of last year, an increase of about NIS 30 million.

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The gross profit in the retail segment was NIS 2,125 million in the first nine months of 2009 compared with NIS 2,196 million in the corresponding period of last year – a decrease of NIS 71 million. The gross profit rate of the retail segment was 25.8% in the first nine months of 2009 compared with 26.7% in the corresponding period of last year. The decrease in the gross profit rate in the retail segment is mainly due to the decline in selling prices as a result of the competition in the food retail market.

The gross profit in the rental real estate segment was NIS 16 million in the first nine months of 2009 compared with NIS 22 million in the corresponding period of last year – a decrease of NIS 6 million. The decrease in gross profit stemmed from the decrease in revenues as mentioned above.

The Company's total gross profit amounted to NIS 2,141 million in the first nine months of 2009, compared with NIS 2,218 million in the corresponding period of last year – a decrease of NIS 77 million. The gross profit rate was 25.8% in the first nine months of the year, compared with 26.8% in the corresponding period of last year.

The Company's selling, marketing, administrative and general expenses amounted to NIS 1,775 million in the first nine months of 2009, compared with NIS 1,781 million in the corresponding period of last year. The ratio of expenses to revenues was 21.4% compared with 21.6% in the corresponding period of last year.

The operating profit before other income and expenses amounted to NIS 366 million in the first nine months of 2009, compared with NIS 437 million in the corresponding period of last year. The operating profit rate before other income and expenses was 4.4% in the first nine months of the year, compared with 5.3% in the corresponding period of last year. The decrease in the operating profit and in its rate is mainly due to the aforementioned decrease in gross profit.

The value of investment property declined by NIS 1 million in the first nine months of 2009, compared with an increase 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 nine months 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 365 million in the first nine months of 2009, compared with operating profit after other income and expenses of NIS 513 million in the corresponding period of last year.

The operating profit before other income and expenses and before depreciation and amortization (EBITDA) was NIS 529 million in the first nine months of 2009, compared with NIS 615 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 6.4% in the first nine months of 2009, compared with 7.4% in the corresponding period of last year.

The net financing income in the first nine months of 2009 amounted to about NIS 33 million, compared with net financing expenses of about NIS 138 million in the corresponding period of last year. The decrease in the net financing expenses derived mainly from income stemming from revaluation of hedging transactions and the impact of the decline in inflation on the Company's CPI-linked liabilities. Income of NIS 85 million was recognized in the first nine months of 2009 compared with income of NIS 17 million in the corresponding period of last year. The increase in the "known" index in the first nine months of 2009 was 3.6%, compared with an increase of 5% in the corresponding period of last year.

The tax expenses in the first nine months of 2009 amounted to about NIS 86 million, compared with tax expenses of about NIS 134 million in the corresponding period of last year. The Company's effective tax rate in the first nine months of 2009 was about 26%, compared with about 36% in the corresponding period of last year. The high tax expenses in the corresponding period of last year were mainly due to the sale of investment property.

The net profit in the first nine months of 2009 amounted to NIS 245 million, compared with net profit of NIS 232 million in the corresponding period of last year – an increase of about 6%.

In the first nine months of 2009 the basic earnings per Company share amounted to NIS 1.19 compared with NIS 1.13 in the corresponding period of last year. The diluted earnings per Company share amounted to NIS 1.19 in the first nine months of 2009 compared with NIS 1.12 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 242 million in the third quarter of 2009, compared with NIS 186 million in the corresponding quarter of last year. The increase in the cash flows provided by operating activities stemmed mainly from the improvement in working capital.

Cash flows from investing activities

Net cash used in investing activities reached NIS 81 million in the third quarter of 2009, compared with NIS 173 million in the corresponding quarter of last year. The cash used in investing activities in the third quarter of 2009 is comprised mainly of an investment in fixed assets in the amount of NIS 44 million and an acquisition of marketable securities net in the amount of NIS 36 million. The cash used in investing activities in the third quarter of 2008 was comprised mainly of an investment in fixed assets in the amount of NIS 67 million and payment for the exercise of an option in the B.I. partnership and acquisition of the operations of two branches of Merav.

Cash flows from financing activities

Net cash provided by financing activities reached NIS 354 million in the third quarter of 2009, compared with net cash used in financing activities in the amount of NIS 103 million in the corresponding quarter of last year. The cash provided by financing activities in the third quarter of 2009 was comprised mainly of the issuance of debentures in the amount of NIS 496 million and on the other hand the payment of a dividend in the amount of NIS 143 million.

The cash used in financing activities in the third quarter of 2008 was comprised mainly of the payment of a dividend in the amount of NIS 103 million.

As at the end of the third quarter of 2009, the Company's consolidated net liquid assets (cash, cash equivalents and marketable securities net of overdrafts) were NIS 898 million, compared with NIS 349 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 third 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 2,359 million, compared with NIS 1,921 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 third quarter of 2009 was about 38%, compared with about 33% 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).

The Company's shareholders' equity as at the end of the third quarter of 2009 was NIS 1,270 million, compared with NIS 1,318 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 third quarter of 2009 was about 20.6%, compared with 22.6% 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

	September 30 2009	September 30 2008	December 31 2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	744	170	63
Marketable securities	155	179	185
Trade receivables	1,323	1,426	1,196
Other receivables	106	* 165	* 144
Current tax assets	11	8	20
Inventory	643	* 700	* 595
Total current assets	2,982	2,648	2,203
Long-term loans to others	12	24	23
Long-term loans to an affiliate	52	45	46
Other investments	30	* 10	8
Investment property	319	338	320
Fixed assets	1,809	* 1,804	* 1,838
Intangible assets and deferred expenses	724	824	734
Prepaid lease fees	136	121	133
Deferred taxes	112	25	146
Right to reimbursement in respect of employee benefits	3	3	2
Total non-current assets	3,197	3,194	3,250
Total assets	6,179	5,842	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

	September 30 2009	September 30 2008	December 31 2008
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions	NIS millions	NIS millions
Liabilities			
Bank credit	3	32	32
Current maturities in respect of notes	124	63	61
Trade payables	1,721	1,771	1,500
Other payables	621	*669	* 531
Provisions in respect of claims and legal proceedings	7	6	7
Total current liabilities	2,476	2,541	2,131
Long-term liabilities			
To banks and others	43	*43	* 96
In respect of notes	2,193	1,767	1,760
Employee benefits	51	40	61
Other	54	30	58
Company's share of equity deficiency of affiliated company	33	33	32
Deferred taxes	59	70	66
Total non-current liabilities	2,433	1,983	2,073
Equity			
Share capital	239	239	239
Premium on shares	511	510	510
Reserve in respect of available-for-sale financial assets	12	3	3
Treasury shares	(85)	(85)	(85)
Retained earnings	591	649	581
Total equity attributable to equity holders of the Company	1,268	1,316	1,248
Minority interest	2	2	1
Total equity	1,270	1,318	1,249
Total liabilities and equity	6,179	5,842	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: October 27, 2009

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

Condensed Consolidated Interim Statement of Income

	Nine months ended		Three months ended		Year ended
	September 30 2009 (Unaudited) NIS millions	September 30 2008 (Unaudited) NIS millions	September 30 2009 (Unaudited) NIS millions	September 30 2008 (Unaudited) NIS millions	December 31 2008 (Audited) NIS millions
Revenues					
Sales	8,252	8,214	2,865	2,878	10,897
Rentals and operation of shopping malls	43	51	15	14	65
	<u>8,295</u>	<u>8,265</u>	<u>2,880</u>	<u>2,892</u>	<u>10,962</u>
Costs					
Cost of sales	6,127	6,018	2,129	2,109	7,967
Cost of services and operation expenses of shopping malls	27	29	9	10	40
	<u>6,154</u>	<u>6,047</u>	<u>2,138</u>	<u>2,119</u>	<u>8,007</u>
Gross profit	<u>2,141</u>	<u>2,218</u>	<u>742</u>	<u>773</u>	<u>2,955</u>
Selling and marketing expenses	1,658	1,664	572	589	2,243
General and administrative expenses	117	117	44	37	142
Total selling, marketing, general and administrative expenses	<u>1,775</u>	<u>1,781</u>	<u>616</u>	<u>626</u>	<u>2,385</u>
Operating profit before other income and expenses	<u>366</u>	<u>437</u>	<u>126</u>	<u>147</u>	<u>570</u>
Goodwill adjustments and other expenses	-	(4)	-	-	(132)
Other income	-	29	-	-	29
Increase (decrease) in fair value of investment property	(1)	51	(1)	-	45
Total other income (expenses), net	<u>(1)</u>	<u>76</u>	<u>(1)</u>	<u>-</u>	<u>(58)</u>
Operating profit after other income and expenses	<u>365</u>	<u>513</u>	<u>125</u>	<u>147</u>	<u>512</u>
Financing expenses	(157)	(199)	(76)	(62)	(262)
Financing income	124	61	38	4	58
Financing expenses, net	<u>(33)</u>	<u>(138)</u>	<u>(38)</u>	<u>(58)</u>	<u>(204)</u>
Company's share of losses of affiliated company, net	(1)	(9)	(1)	(5)	(8)
Profit before taxes on income	<u>331</u>	<u>366</u>	<u>86</u>	<u>84</u>	<u>300</u>
Taxes on income	(86)	(134)	(23)	(25)	(18)
Profit for the period	<u>245</u>	<u>232</u>	<u>63</u>	<u>59</u>	<u>282</u>
Attributable to:					
Equity holders of the Company	244	232	62	59	283
Minority interest	1	-	1	-	(1)
Profit for the period	<u>245</u>	<u>232</u>	<u>63</u>	<u>59</u>	<u>282</u>
	NIS	NIS	NIS	NIS	NIS
Earnings per share (basic and diluted):					
Basic earnings per share	1.19	1.13	0.30	0.28	1.38
Diluted earnings per share	1.19	1.12	0.30	0.28	1.37

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

Condensed Consolidated Interim Statement of Comprehensive Income

	Nine months ended		Three months ended		Year ended
	September 30	September 30	September 30	September 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	245	232	63	59	282
Net change in fair value of available-for-sale financial assets	17	1	4	(6)	(3)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(6)	(7)	(2)	-	(4)
Defined benefit plan actuarial gains (losses)	15	(4)	-	(1)	(26)
Income tax on income and expense recognized directly in equity	(7)	1	(1)	-	8
Other comprehensive income (expense) for the period, net of income tax	19	(9)	1	(7)	(25)
Total comprehensive income for the period	264	223	64	52	257
Attributable to:					
Equity holders of the Company	263	223	63	52	258
Minority interest	1	-	1	-	(1)
Total comprehensive income for the period	264	223	64	52	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 nine months ended September 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	-	-	-	-	3	3	-	3
Exercise of employee share options	* -	1	-	-	-	1	-	1
Dividend paid (1)	-	-	-	-	(247)	(247)	-	(247)
Total comprehensive income for the period	-	-	9	-	254	263	1	264
Balance as at September 30, 2009	239	511	12	(85)	591	1,268	2	1,270
For the nine months ended September 30, 2008								
(unaudited)								
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)	-	-	-	-	(362)	(362)	-	(362)
Total comprehensive income for the period	-	-	(6)	-	229	223	-	223
Balance as at September 30, 2008	239	510	3	(85)	649	1,316	2	1,318

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 September 30, 2009								
(unaudited)								
Balance as at July 1, 2009 (unaudited)	239	510	10	(85)	671	1,345	1	1,346
Benefit in respect of options allotted to employees	-	-	-	-	2	2	-	2
Exercise of employee share options	* -	1	-	-	-	1	-	1
Dividend paid (1)	-	-	-	-	(143)	(143)	-	(143)
Total comprehensive income for the period	-	-	2	-	61	63	1	64
Balance as at September 30, 2009	239	511	12	(85)	591	1,268	2	1,270
For the three months ended September 30, 2008								
(unaudited)								
Balance as at July 1, 2008 (unaudited)	239	501	9	(85)	693	1,357	2	1,359
Benefit in respect of options allotted to employees	-	-	-	-	1	1	-	1
Exercise of employee share options	* -	9	-	-	-	9	-	9
Dividend paid (1)	-	-	-	-	(103)	(103)	-	(103)
Total comprehensive income for the period	-	-	(6)	-	58	52	-	52
Balance as at September 30, 2008	239	510	3	(85)	649	1,316	2	1,318

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

	Nine months ended		Three months ended		Year ended
	September 30		September 30		December 31
	2,009	*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	245	232	63	59	282
Adjustments for:					
Depreciation of fixed assets	146	154	50	50	205
Amortization of intangible assets and deferred expenses	17	24	4	6	31
Taxes on income, net	86	134	23	25	18
Income tax paid, net	(65)	(115)	(22)	(30)	(132)
Company's shares of losses of affiliated company, net	1	9	1	5	8
Decrease (increase) in fair value of investment property, net	1	(51)	1	-	(45)
Increase (decrease) in employee benefits	1	(5)	4	(2)	(5)
Capital losses, net	-	4	-	-	5
Capital gain on sale of proportionately consolidated investment	-	(29)	-	-	(29)
Financing expenses	33	138	38	58	204
Future rent	(3)	(1)	(1)	-	-
Benefit in respect of employee stock options allotment	3	5	2	1	5
Adjustment of Clubmarket goodwill to profit or loss	-	-	-	-	127
Prepaid lease fees	-	1	-	-	1
Increase in trade receivables	(115)	(331)	(160)	(237)	(97)
Decrease (increase) in other receivables	57	(71)	(3)	7	(59)
Decrease (increase) in inventory	(48)	(114)	8	(56)	(9)
Increase in trade payables	237	330	124	241	40
Increase in other payables, provisions and long-term liabilities	112	208	110	59	68
Net cash from operating activities	708	522	242	186	618
Cash flows from investing activities					
Purchase of fixed assets	(137)	(158)	(44)	(67)	(224)
Proceeds from sale of fixed assets	2	8	2	4	8
Investment in deferred expenses and intangible assets	(8)	(8)	(1)	(3)	(15)
Purchase of marketable securities	(105)	(180)	(72)	(11)	(218)
Proceeds from sale of marketable securities	150	294	36	11	323
Cash paid in respect of futures	5	2	-	4	7
Loans granted	-	(10)	-	-	(10)
Loans to affiliated company	(5)	(29)	(1)	(13)	(29)
Repayment of long-term loans	-	1	-	-	2
Investment in investment property	-	(9)	-	-	(14)
Proceeds from sale of investment property	-	47	-	-	47
Prepaid lease fees	(3)	-	(3)	-	(13)
Proceeds from sale of proportionately consolidated company	-	157	-	-	157
Exercise of option to purchase partnership	-	(71)	-	(71)	(80)
Acquisition of operation	-	(31)	-	(31)	(34)
Interest received	7	17	2	4	20
Net cash from (used in) investing activities	(94)	30	(81)	(173)	(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)

	Nine months ended		Three months ended		Year ended
	September 30		September 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)
Issuance of notes, net	496	-	496	-	-
Dividend paid	(247)	(362)	(143)	(103)	(465)
Partners' share in profits of partnership	-	(20)	-	-	(20)
Exercise of stock options by employees	1	18	1	9	18
Receipt of long-term loans from banks	1	7	1	1	7
Repayment of long-term loans from banks	(32)	(55)	(2)	(10)	(55)
Change in short-term credit	1	(1)	1	-	(1)
Partners' loans	-	2	-	1	4
Interest paid	(92)	(95)	-	(1)	(94)
Net cash from (used in) financing activities	67	(565)	354	(103)	(665)
Increase (decrease) in cash and cash equivalents	681	(13)	515	(90)	(120)
Balance of cash and cash equivalents at the beginning of the period	63	183	229	260	183
Balance of cash and cash equivalents at the end of the period	744	170	744	170	63

* Reclassified. See Note C(3).

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

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

Note 2 - Basis of Preparation (cont'd)

C. Change in classification

As at September 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 12 million as at September 30, 2008 and December 31, 2008, being reclassified from inventory to fixed assets.
2. Derivative financial instruments were reclassified as at September 30, 2008 from other receivables to other investments, other payables and liabilities to banks and others. Comparative amounts were reclassified for consistency, following which as at September 30, 2008 the amount of NIS 1 million was reclassified from other receivables to other investments, the amount of NIS 3 million was reclassified to other payables, and the amount of NIS 2 million was reclassified to liabilities to banks and others.

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 September 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 September 30, 2009 (Unaudited)

Note 3 - Significant Accounting Policies (cont'd)

other comprehensive income in two separate statements – a statement of income followed by a statement of comprehensive income. Furthermore, the Company 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

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

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

Note 3 - Significant Accounting Policies (cont'd)

be examined on the basis of the information 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 nine months ended September 30, 2009	3.6	3.6	(1.2)
In the three months ended September 30, 2009	2.4	1.4	(4.1)
In the nine months ended September 30, 2008	5.0	4.4	(11.0)
In the three months ended September 30, 2008	2.1	2.0	(2.0)
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 September 30, 2009 (Unaudited)

Note 5 - Events in the Reporting Period

- A.** 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 (about NIS 0.5 per share) was paid on March 4, 2009 to the shareholders on record as at February 18, 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 143 million net of the dividend to a subsidiary). The dividend (about NIS 0.7 per share) was paid on September 8, 2009 to the shareholders on record as at August 25, 2009.
- C.** On July 25, 2005 the Knesset passed the Law for the Amendment of the Income Tax Ordinance (No. 147) – 2005, which provides, inter alia, for a gradual reduction in the company tax rate to 25% as from the 2010 tax year.

On July 14, 2009, the Knesset passed the Economic Efficiency Law (Legislation Amendments for Implementation of the 2009 and 2010 Economic Plan) – 2009, which provided, inter alia, an additional gradual reduction in the company tax rate to 18% as from the 2016 tax year. In accordance with the aforementioned amendments, the company tax rates applicable as from the 2009 tax year are as follows: In the 2009 tax year – 26%, in the 2010 tax year – 25%, in the 2011 tax year – 24%, in the 2012 tax year – 23%, in the 2013 tax year – 22%, in the 2014 tax year – 21%, in the 2015 tax year – 20% and as from the 2016 tax year the company tax rate will be 18%.

The effect of the aforementioned change in the tax rates was reflected in the financial statements for the third quarter of 2009 in a decrease in the deferred tax liability and the recognition of tax income in the amount of NIS 0.5 million.

- D.** On July 22, 2009 the Company published a shelf registration prospectus on the basis of its financial statements for March 31, 2009, in the framework of which the Company will be able to offer to the public shares, convertible debentures, non-convertible debentures, options exercisable into shares and into debentures and commercial securities. In August 2009 the Company issued a shelf registration offer in accordance with the said shelf registration prospectus, pursuant to which it offered its debentures to the public. In the framework of the tender that took place in August 2009 the Company issued Series C debentures (new series) having a par value of NIS 500 million that bear interest of 5.45% p.a. and are repayable annually on February 3 of each of the years from 2010 until 2017. The Series C debentures are unlinked and will be repaid in eight equal annual payments in February of each of the years from 2010 until 2017. The Company received total proceeds of NIS 500 million from the issuance of these debentures (the issuance costs of the debentures amounted to NIS 35 million).
- E.** In the meeting of the Company's Board of Directors that took place on August 18, 2009 it was resolved to approve in the framework of the "2005 option plan" an allotment of 4,300,000 options (not registered for trade) that are exercisable into 4,300,000 ordinary shares of a par value of NIS 1 each, to the Company's CEO, six officers of the Company

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

Note 5 - Events in the Reporting Period (cont'd)

and an additional senior employee who is not an officer. Of the aforementioned options, 1,800,000 options will be allotted to the CEO of the Company.

The options are offered to the offerees in accordance with the plan and the provisions of the capital gain track stipulated in Section 102(B)(2) ("capital gain track") of the Income Tax Ordinance. The options will be granted to the offerees at no cost. Each option will be exercisable into one ordinary share for an exercise price of NIS 13.78 subject to the adjustments specified in the 2005 option plan. The exercise price was determined on the basis of 90% of the adjusted average closing price of the Company's ordinary share on the stock exchange in the thirty days prior to the Board of Directors' decision to grant the options (August 18, 2009).

The options granted to the offerees will vest in a manner that entitles the offerees to exercise them in three equal portions spread over a period of three years as follows:

1. 1/3 of the amount of the options granted to them as from twelve months from the date of the decision until thirty six months from the date the options have vested and become exercisable; and
2. 1/3 of the amount of the options granted to them as from twenty four months from the date of the decision until twenty four months from the date the options have vested and become exercisable; and
3. 1/3 of the amount of the options granted to them as from thirty six months from the date of the decision until twenty four months from the date the options have vested and become exercisable.

As at the date of the Board of Director's approval, the fair value of the offered options is NIS 5.95 according to the Black & Scholes model, and in total the value of the options is NIS 25.60 million.

Furthermore, the share price is NIS 16.18 and the risk-free interest rate and annual standard deviation rate are 3.71% and 28.64%, respectively, in respect of the first and second portions and 4.08% and 28.08%, respectively, in respect of the third portion.