

Shufersal Ltd.

Periodic Report for the Three Months Ended March 31, 2010

Contents

Directors' Report on the Business Situation of the Company for the Three Months Ended March 31, 2010

Condensed Financial Interim Statements As at March 31, 2010 (Unaudited)

Directors' Report on the Business Situation of the Company for the Three Months Ended March 31, 2010

Shufersal Ltd.

We are pleased to present the Report of the Board of Directors of Shufersal Ltd. (**hereinafter – “Shufersal” and/or “the Company”**) for the three months ended March 31, 2010 (“ **the first quarter of 2010**”) in accordance with the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970.

1. Board of Directors Explanation of the Business Situation of the Company

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 retail segment – The primary activities of the Company are in the retail marketing of food and other products in its stores.

The Company operates neighborhood and regional stores with a broad variety of quality products with an emphasis on customer service, other stores with a broad variety of quality products with an emphasis on lower prices, as well as stores offering a variety of products with strict kosher certifications and specialty products for various populations.

The retail segment includes the Shufersal credit card activity and the manufacture of frozen and fresh baked products that are sold at most of the branches of the Company.

As at March 31, 2010, the Company’s has 241 stores covering an area of about 521 thousand square meters.

The rental real estate segment – The Company operates in the rental real estate field as well, directly through the rental of various types of real estate properties including commercial centers and other assets, which include a principal and significant asset in Netanya, as well as 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 March 31, 2010, the Company’s share in the total area of the rental space is about 86 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.

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

B. Results of Operations

Analysis of the results for the three months ended March 31, 2010 compared with the corresponding period last year

	Results of operations			
	Q1 2010		Q1 2009	
	%	NIS millions	%	NIS millions
Revenues		2,765		2,631
Gross profit	26.3	728	25.8	680
Selling, marketing, administrative, general and other expenses	22.2	(613)	21.8	(573)
<u>Operating profit before other expenses</u>	4.2	115	4.1	107
Other expenses		(1)		-
<u>Operating profit after other expenses</u>	4.1	114	4.1	107
Financing income (expenses), net		(22)		8
Taxes on income		(21)		(29)
<u>Profit for the period</u>		71		86

The effect of the Passover holiday in this quarter was more significant compared to the corresponding quarter in the previous year because of the timing of the holiday. In addition, the quantity of sales campaigns and their intensity were felt very prominently this quarter.

Retail segment sales in the first quarter of 2010 amounted to NIS 2,750 million, compared to NIS 2,618 million in the corresponding quarter of last year, an increase of 5.0 %. The increase in sales is mainly due to the timing of the Passover holiday compared to last year. Same store sales¹ with respect to stores that operated fully this quarter and in the corresponding quarter of last year increased by 5.4%. The sales per sq.m in the Company's stores in the first quarter of 2010 amounted to NIS 5,493, compared to NIS 5,222 in the corresponding quarter of last year.

Rental real estate segment revenues in the first quarter of 2010 amounted to NIS 15 million compared to NIS 13 million in the corresponding quarter of last year.

Total revenues in the retail and rental real estate segments in the first quarter of 2010 amounted to NIS 2,765 million compared to NIS 2,631 million in the corresponding quarter of last year, an increase of 5.1%.

Gross profit in the retail segment in the first quarter of 2010 amounted to NIS 722 million compared to NIS 675 million in the corresponding quarter of last year, an increase of NIS 47 million. The gross profit rate in the retail segment in the quarter was 26.3% compared to 25.8 % in the corresponding quarter of last year. The increase in gross profit is mainly due to the increase in sales this quarter compared to sales of the corresponding quarter of last year.

The gross profit in the rental real estate segment was NIS 6 million in the first quarter of 2010 compared to a profit of NIS 5 million in the corresponding quarter of last year.

¹ Same stores – stores that were active before January 2009.

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

The Company's gross profit in the retail segment and in the rental real estate segment amounted to NIS 728 million in the first quarter of 2010, compared with NIS 680 million in the corresponding quarter of last year, an increase of NIS 48 million. The gross profit rate in the first quarter of the year was 26.3%, compared with 25.8% in the corresponding quarter of last year.

The Company's selling, marketing, administrative and general expenses in the first quarter amounted to NIS 613 million, compared to NIS 573 million in the corresponding quarter of last year. The ratio of expenses to revenues was 22.2% compared to 21.8% in the corresponding quarter of last year. The increase is mainly due to the increase in sales and the increase in the ratio of expenses was due mainly to a rise in expenses mainly with respect to payroll, rent, municipal taxes and packaging expenses.

The operating profit before other expenses in the first quarter of 2010 amounted to NIS 115 million, compared to NIS 107 million in the corresponding quarter of last year, an increase of NIS 8 million (approximately 7%). The operating profit rate was 4.2% compared to 4.1% in the corresponding quarter of last year.

The operating profit before depreciation and amortization and other expenses (EBITDA) in the first quarter was NIS 168 million, and at a rate of 6.1% compared to NIS 161 million and a rate of 6.1% in the corresponding quarter of last year.

The net financing expenses in the first quarter of 2010 amounted to approximately NIS 22 million, compared to income of NIS 8 million in the corresponding quarter of last year.

The increase in the net financing expenses derived mainly from the cost of hedging transactions in the first quarter of 2010 in the amount NIS 17 million compared to income of NIS 14 million in the corresponding quarter of last year.

In the first quarter of 2010, the Company had tax expenses in the amount of NIS 21 million, compared to tax expenses of NIS 29 million in the corresponding quarter of last year. The decrease in tax expense derived mainly from the decrease in income before taxes. The Company's effective tax rate in the first quarter of 2010 was about 23%, compared to about 25% in the corresponding quarter of last year.

The net profit in the first quarter of 2010 amounted to NIS 71 million, compared to net profit of NIS 86 million in the corresponding quarter of last year.

The basic and diluted earnings per Company share in the first quarter of 2010 was IS 0.34, compared to NIS 0.42 in the corresponding quarter of last year.

C. Financial Position, Liquidity and Financing Resources

Analysis of Results in the first quarter of 2010 compared to the corresponding quarter of last year

The business results and financial position of the Company in the retail industry are affected by the seasonality of the consumption of the market close to the holiday periods in Israel.

Cash flows from operating activities

Net cash provided by operating activities reached NIS 427 million in the first quarter of 2010, compared to NIS 390 million in the corresponding quarter of last year. The increase in the cash flows provided by operating activities stemmed mainly from the timing of the Passover holiday.

Directors' Report on the Business Situation of the Company for the Three Months Ended March 31, 2010

Shufersal Ltd.

Cash flows from investing activities

Net cash used in investing activities reached NIS 277 million in the first quarter of 2010, compared to NIS 44 million in the corresponding quarter of last year. The cash used in investing activities in the first quarter of 2010 is comprised mainly of the purchase of fixed assets in the amount of NIS 117 million and the purchase of marketable securities net in the amount of NIS 161 million.

The cash used in investing activities in the first quarter of 2009 was comprised mainly of the purchase of fixed assets in the amount of NIS 50 million.

Cash flows from financing activities

Net cash used in financing activities totaled NIS 223 million in the first quarter of 2010, compared to NIS 287 million in the corresponding quarter of last year. The cash used in financing activities in the first quarter of 2010 was comprised mainly of the repayment of debentures, loans and interest payments in the amount of NIS 232 million.

The cash used in financing activities in the first quarter of 2009 was comprised mainly of the payment of a dividend in the amount of NIS 104 million and from the repayment of debentures, loans and interest payments in the amount of NIS 183 million.

Financial ratios:

At the end of the first quarter of 2010, the Company's consolidated net liquid assets (cash, cash equivalents and marketable securities) were NIS 988 million, compared to NIS 311 million at the end of the corresponding quarter of last year. The increase stems mainly from the issuance of debentures totaling NIS 496 million (net) in August 2009.

The total net liquid assets at the end of 2009 (cash, cash equivalents and marketable securities net of overdraft) amounted to NIS 899 million.

As at the end of the first quarter of 2010, the Company had liabilities to banks and to debenture holders, including interest payable (hereinafter – "the Financial Debt"), in the amount of NIS 2,197 million, compared to NIS 1,764 million as at the end of the corresponding quarter of last year. The increase stems mainly from the issuance of debentures as stated above. The ratio of loans and debentures to total assets of the Company for the first quarter of 2010 was about 34%, compared to approximately 31% as at the end of the previous quarter.

The total Financial Debt at the end of 2009 amounted to approximately NIS 2,417 million, and the ratio of loans and debentures to total assets of the Company was about 40% at the end of last year.

As at the end of the first quarter of 2010, the Company's shareholders' equity totaled NIS 1,430 million, compared to NIS 1,230 million as at the end of the corresponding quarter of last year. The increase in equity was mainly due to the net profit net of a dividend paid during 2009. The ratio of the shareholders' equity to total liabilities at the end of the first quarter of 2010 was about 22%, similar to the corresponding quarter of last year.

The total shareholders' equity at the end of 2009 amounted to NIS 1,343 million. The ratio of shareholders' equity to total balance sheet at the end of last year was about 22%.

2. Report on Exposure to Market Risks and Management Thereof

A. The party responsible for the management of the Company's financial risks

The party responsible for the management of the Company's financial market risks is the CFO, Mr. Shlomo Zohar.

B. Description of the market risks

Market risks reflect the risk of changes in liabilities and the value of assets and financial instruments caused by fluctuations in interest rates, the Consumer Price Index, foreign currency exchange rates and prices of securities.

1. Changes in the economic environment

In September 2008 the global financial markets were considerably shaken with the collapse of a number of the largest financial groups in the USA and other countries. Furthermore, in the second half of 2008, a credit crisis erupted and spread also to other sectors in Israel and the world. Starting in the second half of 2009 there are signs in the global economy as well as in Israel that the economy is stabilizing, which is reflected in the stopping of the escalation of the crisis and even signs of recovery with respect to part of the economic indicators.

As at the date of this report, the slowdown described above does not have a material effect on the financial position of the Company including on the composition and value of its assets, on its financial strength and liquidity. Nonetheless, it should be noted that neither the duration nor the intensity of the slowdown can be assessed and accordingly, the overall extent of the direct and indirect economic effects, in the short, medium and long term, of the said slowdown on the Company, the value of its assets, its results, the condition of its business, its equity and its ability to realize its assets. Management of the Company examines the developments and the effects of the slowdown on its business on a regular basis.

The Company's securities portfolio of the Company is comprised of short term government loans, government bonds, and corporate debentures rated by Ma'at mainly at A and aa respectively.

As at March 31, 2010, the Company has investment property in the amount of NIS 333 million. A yield rate of between 8% and 12% was taken into consideration in the calculation of the value of the investment property. This rate takes into account the risk that arises from the lease agreements being short term. The Company leases out investment property to a large amount of lessees with whom there was no change in the lease agreements and/or the entry of new significant lessees that have an effect on the value of the investment property.

The Company shall continue to monitor the developments in the financial markets and their effects on the Israeli economy, and it is possible that the developments will lead to a decrease in the value of the Company's securities portfolio, the value of its investment property and/or the value of its severance pay funds.

2. Consumer Price Index risks

The Company is exposed to changes in the Consumer Price Index ("the CPI") in respect of CPI linked debentures issued by the Company in the net amount of NIS 1.8 billion, as well as rent and municipal taxes.

In 2005 and 2006, the Company purchased long-term forward contracts on the CPI in the amount of NIS 780 million for the purpose of hedging long-term liabilities.

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

In November 2008 a swap contract in the amount of NIS 185 million was purchased. The contract swaps a CPI-linked stated interest rate of 4.8% on the 2002 series of debentures with a fixed interest rate of 6.18%. The transaction will be repaid in accordance with the repayment schedule of the debentures until March 2012.

The balance of the hedge as at March 31, 2010 totals NIS 123 million.

Furthermore, during 2009, the Company purchased short-term forward contracts on the CPI for the purpose of hedging short-term lease agreements. As at March 31, 2010, the balance of the contracts purchased during 2009 totals NIS 91 million for settlement during 2010.

The total balance of short-term and long-term forward contracts as at March 31, 2009 totaled NIS 994 million.

The total fair value of the above contracts as at March 31, 2010 was an asset in the amount of NIS 7 million.

In the first quarter of 2010, the Company recorded financing expenses in the amount of NIS 16 million in respect of these contracts, compared to financing income of NIS 9 million in the corresponding quarter of last year.

3. Currency risks

During 2008, 2009 and 2010 the Company purchased forward contracts on the US dollar. As at March 31, 2010, the Company had forward contracts in the amount of \$3.7 million for settlement until July 2010. The total fair value of these contracts as at March 31, 2010 is a liability in the amount of NIS 0.3 million.

The Company recorded financing expenses in the amount of NIS 1 million in respect of these contracts in the first quarter of 2010, compared to financing income in respect of these contracts in the amount of NIS 5 million in the corresponding quarter of last year, while on the other hand it saved currency differentials on payments to suppliers. The Company's exposure to currency risks is not material.

Directors' Report on the Business Situation of the Company for the Three Months Ended March 31, 2010

Shufersal Ltd.

C. Report on Company's balances by linkage bases

Set forth below is the Company's balances by linkage bases as at March 31, 2010:

	March 31, 2010				Total
	Israeli currency		Foreign	Other	
	Unlinked	CPI-linked	currency		
NIS millions					
Current assets:					
Cash and cash equivalents	606	5	1	-	612
Marketable securities	206	170	-	-	376
Trade receivables	1,363	-	-	-	1,363
Other receivables including derivatives	60	13	-	19	92
Current taxes	-	9	-	-	9
Inventory	-	-	-	700	700
Asset held for sale	-	-	-	16	16
Non-current assets:					
Long-term loans to others	-	11	-	-	11
Long-term loans to affiliated company	-	53	-	-	53
Other investments including derivatives	-	8	-	11	19
Investment property	-	-	-	317	317
Fixed assets	-	-	-	2,005	2,005
Intangible assets and deferred expenses	-	-	-	739	739
Deferred taxes	109	-	-	-	109
Right to reimbursement in respect of employee benefits	4	-	-	-	4
	<u>2,348</u>	<u>269</u>	<u>1</u>	<u>3,806</u>	<u>6,424</u>
Current liabilities:					
Bank credit	-	2	-	-	2
Current maturities of debentures	60	60	-	-	120
Trade payables	1,860	9	-	-	1,869
Other payables	661	1	-	-	662
Provisions in respect of claims and legal proceedings	6	-	-	-	6
Non-current liabilities:					
Liabilities to banks and others	34	10	-	-	44
Debentures	374	1,683	-	-	2,057
Employee benefits	57	-	-	-	57
Other	2	-	-	79	81
The Group's share in the capital deficiency of an affiliated company	-	-	-	33	33
Deferred taxes	63	-	-	-	63
Minority interest	-	-	-	1	1
Equity	-	-	-	1,429	1,429
	<u>3,117</u>	<u>1,765</u>	<u>-</u>	<u>1,542</u>	<u>6,424</u>
Net exposure	<u>(769)</u>	<u>(1,496)</u>	<u>1</u>	<u>2,264</u>	<u>-</u>

* See Section 2.B.2 on Consumer Price Index risks with respect to hedging against the CPI.

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

D. Sensitivity Tests:

**Tables of sensitivity of financial instruments to changes in market factors as at March 31, 2010
(in NIS millions)**

Sensitive instruments	Interest rate sensitivity					
	Market interest rate at reporting date	Gain (loss) from changes		Fair value as at March 31, 2010	Gain (loss) from changes	
		10% increase in interest	5% increase in interest		5% decrease in interest	10% decrease in interest
Loans received		0.1	0.1	(15.2)	(0.1)	(0.1)
Total debentures		37.5	18.9	(2,409)	(19.1)	(38.4)
Loans granted	3.15%	(0.2)	(0.1)	19.4	0.1	0.2
NIS-CPI forward (*)		1.8	0.9	7.2	(0.9)	(1.8)
Deposits	1.0%	(0.1)	(0.0)	594.3	0.0	0.1

(*) Hedging is not recognized for accounting purposes.

Sensitive instruments	CPI sensitivity					
	Basic index	Gain (loss) from changes		Fair value as at March 31, 2010	Gain (loss) from changes	
		10% increase in CPI	5% increase in CPI		5% decrease in CPI	10% decrease in CPI
Loans received	88.8	(0.9)	(0.4)	(8.6)	0.4	0.9
Debentures	78.1	(195.4)	(97.7)	(1,955)	97.7	195.4
Loans granted	101.3	1.94	0.97	19.4	(1.0)	(1.9)
NIS-CPI forward (*)	101.7	109.4	54.7	7.2	(54.7)	(109.4)

(*) Hedging is not recognized for accounting purposes.

Instrument	Dollar rate sensitivity					
	Basic rate	Gain (loss) from changes		Fair value as at March 31, 31, 2010	Gain (loss) from changes	
		10% increase in the rate	5% increase in the rate		5% decrease in the rate	10% decrease in the rate
Dollar-NIS forward (*)	3.79	1.4	0.7	(0.26)	(0.7)	(1.4)

(*) Hedging is not recognized for accounting purposes.

Sensitive Instruments	Market price sensitivity					
	Gain (loss) from changes		Fair value as at March 31, 2010	Gain (loss) from changes		
	10% increase in market price	5% increase in market price		5% decrease in market price	10% decrease in market price	
Marketable Securities	37.6	18.8	376.1	(18.8)	(37.6)	

3. Corporate Governance Aspects

A. Process of Approval of the Financial Statements

The Company's Board of Directors is the body responsible for the corporate governance of the Company and the approval of its financial statements.

The members of the Board of Directors are as follows: Rafi Bisker, Yakov Shalom Fisher, Haim Gavrieli, Ron Hadassi, Nochi Dankner, Yitzhak Manor, Zvi Livnat, Eliahu Cohen, Ido Bergman, Ami Erel, Sabina Biran, Imri Tov, Almog Geva, Alon Bachar, Avihu Olshansky.

The Company's Board of Directors has appointed a Balance Sheet and Investments Committee that presents its recommendations to the Board with respect to approval of the financial statements and the discussions on them before recommending their approval. The Balance Sheet and Investments Committee is composed of four members – Mr. Eli Cohen, the Chairman of the Committee, Mr. Avihu Olshansky, external director, Mr. Imri Tov, external director, and Mr. Ron Hadassi. All the members of the committee have financial and accounting expertise. The Company's internal auditor and external auditors are invited to the meetings of the Balance Sheet and Investments Committee, at which the financial statements are discussed and approved, and they are asked to present the main findings uncovered, if any, during the course of their audit or review.

The Balance Sheet and Investments Committee examines, by means of a detailed presentation by the Company's officers and others, including: the Company's CEO, Mr. Effi Rosenhaus, the CFO, Mr. Shlomo Zohar, and the Controller, Mr. Ilan Or, the material issues in the financial report, including transactions not in the ordinary course of business, if any, the significant assessments and critical estimates applied in the financial statements, the reasonableness of the data, the accounting policies applied and the changes therein, and application of the proper disclosure principle in the financial statements and the accompanying information.

The Balance Sheet and Investments Committee also examines various aspects of risk management and control, both those reflected in the financial statements (such as the report on financial risks), as well as those impacting the reliability of the financial statements. Where necessary, the Balance Sheet Committee requires that comprehensive reviews be presented to it in connection with matters having a particularly material impact.

Approval of the financial statements involves at least two meetings: one - of the Balance Sheet and Investments Committee, held prior to the meeting of the Board of Directors, for a comprehensive discussion of the material reporting issues, and the second - of the Board of Directors, for discussion and approval of the financial statements.

The board members that participated in the board meeting that approved the financial statements of the Company as at March 31, 2010 were: Rafi Bisker, Yakov Shalom Fisher, Ron Hadassi, Zvi Livnat, Eliahu Cohen, Ido Bergman, Sabina Biran, Imri Tov, Almog Geva, Alon Bachar, Avihu Olshansky.

B. The Board of Directors

The Board of Directors held 3 meetings during the first quarter of 2010. The committees of the Board of Directors held additional meetings.

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

4. Specific Disclosure for Debenture Holders

Details of Outstanding Debentures

Data as at March 31, 2010

Series	Date of issuance	Par value on date of issuance (NIS millions)	Proceeds on date of issuance net of issuance expenses (NIS millions)	Carrying amount (NIS millions)*	Balance of par value (NIS millions)	Balance of par value, including interest (NIS millions)	Accumulated interest (NIS millions)	Fair value (NIS millions)**	Stock market value (NIS millions)	Type of interest	Effective interest rate on date of issuance	Stated interest	Payment date of principal		Interest payment dates	Type of linkage
													First date	Last date		
Series B – debentures listed for trading	April 2005	500	498	566	500	567	-	650	648	Fixed	5.24%	5.2%	March 31, 2015	March 31, 2019	Annual interest on 03.31 of each year between 03.31.06, and 03.31 2019	CPI
	Nov. 2005	280	299	320	280	317	-	364	363	Fixed	5.02%	5.2%	March 31, 2015	March 31, 2019	Annual interest on 03.31 of each year between 03.31.06, and 03.31 2019	CPI
	March 2006	184	200	211	184	208	-	239	238	Fixed	5.02%	5.2%	March 31, 2015	March 31, 2019	Annual interest on 03.31 of each year between 03.31.06, and 03.31 2019	CPI
	Feb. 2007	436	499	520	436	495	-	567	565	Fixed	4.3%	5.2%	March 31, 2015	March 31, 2019	Annual interest on 03.31 of each year between 03.31.07, and 03.31 2019	CPI

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

Series	Date of issuance	Par value on date of issuance (NIS millions)	Proceeds on date of issuance net of issuance expenses (NIS millions)	Carrying amount (NIS millions)*	Balance of par value (NIS millions)	Balance of par value, including interest (NIS millions)	Accumulated interest (NIS millions)	Fair value (NIS millions)**	Stock market value (NIS millions)	Type of interest	Effective interest rate on date of issuance	Stated interest	Payment date of principal		Interest payment dates	Type of linkage
													First date	Last date		
Series C – debentures listed for trading	Aug. 2009	500	496	434	438	438	4	454	454	Fixed	5.68%	5.45%	Feb. 3, 2010	Feb. 3, 2017	Annual interest on 02.03 of each year between 02.03 2010 and 02.03 2017	Non-linked
debentures not listed for trading	Jan. 2002	317	316	126	106	126	-	135	Not listed for trading	Fixed	4.86%	4.8%	March 30, 2007	March 30, 2012	Annual interest on 03.30 of each year between 03.30 2003 and 03.30 2012	CPI
Total																

* Carrying amount – The carrying amount of the principal plus interest discounted according to the effective interest rate on the date of issuance and linked to the CPI at the reporting date (Series C Debentures are not linked to the CPI).

** Fair value – The principal plus interest discounted at the market interest rate at the reporting date and linked to the CPI at the reporting date (Series C Debentures are not linked to the CPI).

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

Notes:

1. The principal payments of the debentures are annual.
2. The trustee of the Company's debentures that are not listed for trading is Reznik Paz Nevo Trustees Ltd., from 14 Yad Harutzim St., Tel Aviv (tel. 03-6393311, fax. 03-6393316). The contact person at the trustee is Yossi Reznik, CPA, e-mail: trust@rpn.co.il
3. The trustee of the Series B debentures listed for trading is Hermetic Trusts (1975) Ltd., from 113 Hayarkon St., Tel Aviv (tel. 03-5274867, fax. 03-5271736). The contact person at the trustee for the Series B debentures is Mr. Dan Avnon, Adv., e-mail: hermetic@hermetic.co.il
The trustee of the Series C debentures is Strauss Lazar Trust Company (1992) Ltd., from 17 Yitzhak Sadeh St., Tel Aviv (tel. 03-6237777, fax. 03-5613824). The contact person at the trustee for the Series C debentures is Mr. Ori Lazar, e-mail: ori@slcpa.co.il
5. During the first quarter of 2010, and up to and including the date of this report, the Company is in compliance with all the conditions and liabilities under the trust deeds and there is no cause for demanding immediate repayment of the Company's outstanding debentures.

If the Tel Aviv Stock Exchange Ltd. should decide to delist the Company's Series B debentures and/or Series C debentures because the value of the relevant series is less than the minimum amount provided in the articles of the stock exchange with respect to delisting, the Company shall make an early redemption of the relevant series, as stated in Sections 3.1.14 and 3.3.16.1 of the Company's prospectus from July 22, 2009 (respectively for each of the aforementioned series).

Details regarding the rating of the outstanding debentures

During the period commencing January 1, 2010 and up to the date of this report, there has been no change in the ratings of the outstanding debentures.

**Directors' Report on the Business Situation of the Company
for the Three Months Ended March 31, 2010**

Shufersal Ltd.

5. Rules of Disclosure with respect to the Financial Reporting of the Company

Subsequent to Balance Sheet Date Events

Regarding legal proceedings that have ended, see Note 6 of the financial report – Legal Proceedings.

Rafi Biker
Joint Chairman of the Board of
Directors

Shalom Fisher
Joint Chairman of the Board of
Directors

Effie Rosenhaus
President and
Chief Executive Officer

April 27, 2010

Shufersal Ltd.

**Condensed Financial
Interim Statements
As at March 31, 2010**

(Unaudited)

Condensed Consolidated Interim Statement of Financial Position as at

	March 31 2010	March 31 2009	December 31 2009
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	612	122	685
Marketable securities	376	189	216
Trade receivables	1,363	1,294	1,179
Other receivables	92	86	88
Current tax assets	9	3	17
Inventory	700	715	599
Asset held for sale	16	-	-
Total current assets	3,168	2,409	2,784
Long-term loans to others	11	23	12
Long-term loans to an affiliate	53	48	54
Other investments	19	8	27
Investment property	317	320	329
Fixed assets	2,005	*1,965	*1,937
Intangible assets and deferred expenses	738	730	739
Deferred taxes	109	144	110
Right to reimbursement in respect of employee benefits	4	3	3
Total non-current assets	3,256	3,241	3,211
Total assets	6,424	5,650	5,995

* Retrospective Implementation. See Note 3(1) regarding the initial implementation of new standards.

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

Condensed Consolidated Interim Statement of Financial Position as at

	March 31 2010	March 31 2009	December 31 2009
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Liabilities			
Bank credit	2	3	5
Current maturities in respect of notes	120	58	125
Trade payables	1,869	1,731	1,504
Other payables	662	624	546
Provisions in respect of claims and legal proceedings	6	7	6
Total current liabilities	2,659	2,423	2,186
Long-term liabilities			
To banks and others	44	82	42
In respect of notes	2,057	1,689	2,194
Employee benefits	57	68	58
Other	81	*57	*78
Company's share of equity deficiency of affiliated company	33	32	33
Deferred taxes	63	69	61
Total non-current liabilities	2,335	1,997	2,466
Equity			
Share capital	239	239	239
Premium on shares	522	510	511
Reserve in respect of available-for-sale financial assets	11	9	12
Treasury shares	(85)	(85)	(85)
Retained earnings	742	* 556	*665
Total equity attributable to equity holders of the Company	1,429	1,229	1,342
Non-controlling interests	1	1	1
Total equity	1,430	1,230	1,343
Total liabilities and equity	6,424	5,650	5,995

* Retrospective Implementation. See Note 3(1) regarding the initial implementation of new standards.

Raphi Bisker
Co-Chairman of the Board
of Directors

Shalom Fisher
Co-Chairman of the Board
of Directors

Effie Rozenhaus
President and Chief
Executive Officer

Shlomo Zohar
Chief Financial Officer

Date of approval: April 27, 2010

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

Condensed Consolidated Interim Statement of Income

	Three months ended March 31		Year ended
	2010	2009	December 31
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Revenues			
Sales	2,750	2,618	10,984
Rentals and management	15	13	57
	<u>2,765</u>	<u>2,631</u>	<u>11,041</u>
Costs			
Cost of sales	2,028	1,943	8,127
Cost of services and management expenses	9	8	40
	<u>2,037</u>	<u>1,951</u>	<u>8,167</u>
Gross profit	<u>728</u>	<u>680</u>	<u>2,874</u>
Selling and marketing expenses	581	538	2,235
General and administrative expenses	32	35	145
Total selling, marketing, general and administrative expenses	<u>613</u>	<u>573</u>	<u>2,380</u>
Operating profit before other income and expenses	<u>115</u>	<u>107</u>	<u>494</u>
Other expenses	(1)	-	(1)
Increase in fair value of investment property, net	-	-	3
Total other income (expenses), net	<u>(1)</u>	<u>-</u>	<u>2</u>
Operating profit after other income and expenses	<u>114</u>	<u>107</u>	<u>496</u>
Financing expenses	(35)	(18)	(195)
Financing income	13	26	133
Financing expenses, net	<u>(22)</u>	<u>8</u>	<u>(62)</u>
Company's share of losses of affiliated company, net	-	-	(1)
Profit before taxes on income	<u>92</u>	<u>115</u>	<u>433</u>
Taxes on income	(21)	(29)	(110)
Profit for the period	<u>71</u>	<u>86</u>	<u>323</u>
Attributable to:			
Equity holders of the Company	71	86	323
Non-controlling interests	-	-	-
Profit for the period	<u>71</u>	<u>86</u>	<u>323</u>
	NIS	NIS	NIS
Earnings per share (basic and diluted):			
Basic earnings per share	0.34	0.42	1.56
Diluted earnings per share	0.34	0.42	1.56

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

Condensed Consolidated Interim Statement of Comprehensive Income

	Three months ended March 31		Year ended
	2010	2009	December 31
	Unaudited	Unaudited	2009
	NIS millions	NIS millions	Audited NIS millions
Profit for the period	71	86	323
Net change in fair value of available-for-sale financial assets	(1)	8	18
Net change in fair value of available-for-sale financial assets transferred to profit or loss	(1)	-	(7)
Taxes on income and expenses from available-for-sale financial assets recognized directly in equity	1	(2)	(2)
Defined benefit plan actuarial gains (losses)	2	(8)	7
Taxes on actuarial gains (losses) recognized directly in equity	*-	2	(4)
Other comprehensive income (expense) for the period, net of income tax	1	-	12
Total comprehensive income for the period	72	86	335
Attributable to:			
Equity holders of the Company	72	86	335
Non-controlling interests	-	-	-
Total comprehensive income for the period	72	86	335

* Represents an amount lower than NIS 1 million.

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

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

	Attributable to equity holders of the company							Non-controlling interests NIS millions	Total equity NIS millions
	Share capital	Share premium	Reserve from available-for-sale financial instruments	Treasury shares	Retained earnings	Total			
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions			
For the three months ended March 31, 2010 (unaudited)									
Balance as at January 1, 2010 (Audited)	239	511	12	(85)	**665	1,342	1	1,343	
Benefit in respect of options allotted to employees	-	-	-	-	4	4	-	4	
Exercise of employee share options (2)	* -	11	-	-	-	11	-	11	
Total comprehensive income for the period	-	-	(1)	-	73	72	-	72	
Balance as at March 31, 2010	239	522	11	(85)	742	1,429	1	1,430	
For the three months ended March 31, 2009 (unaudited)									
Balance as at January 1, 2008 (Audited)	239	510	3	(85)	**579	1,246	1	1,247	
Benefit in respect of options allotted to employees	-	-	-	-	1	1	-	1	
Dividend paid (1)	-	-	-	-	(104)	(104)	-	(104)	
Total comprehensive income for the period	-	-	6	-	80	86	-	86	
Balance as at March 31, 2009	239	510	9	(85)	556	1,229	1	1,230	
For the year ended December 31, 2009 (Audited)									
Balance as at January 1, 2009	239	510	3	(85)	**579	1,246	1	1,247	
Benefit in respect of options allotted to employees	-	-	-	-	7	7	-	7	
Exercise of employee share options (2)	* -	1	-	-	-	1	-	1	
Dividend paid (1)	-	-	-	-	(247)	(247)	-	(247)	
Total comprehensive income for the period	-	-	9	-	326	335	-	335	
Balance as at December 31, 2009	239	511	12	(85)	665	1,342	1	1,343	

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

(2) In February 2010, the co-chairmen of the Board of Directors and a vice president of the Company exercised 993,334 options, at a weighted average exercise price of NIS 11.3 per option, for NIS 0.1 par value common shares.

* Represent an amount lower than NIS 1 million.

** Retrospective Implementation. See Note 3(1) regarding the initial implementation of new standards.

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

Condensed Interim Consolidated Statement of Cash Flows

	Three months ended March 31		Year ended
	2010	2009	December 31
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Cash flows from operating activities			
Profit for the period	71	86	323
Adjustments for:			
Depreciation of fixed assets	49	47	* 197
Amortization of intangible assets and deferred expenses	4	7	23
Taxes on income, net	21	29	110
Income tax paid	(14)	(12)	(85)
Company's shares of losses of affiliated company, net	-	-	1
Increase in fair value of investment property, net	-	-	(3)
Decrease in employee benefits	(1)	(3)	-
Increase (decrease) in provision for future rent, net	-	-	1
Capital losses, net	1	-	1
Financing expenses, net	22	(8)	62
Benefit in respect of employee stock options allotment	4	1	7
Decrease (increase) in trade receivables	(180)	(94)	33
Decrease (increase) in other receivables	(11)	59	64
Increase in inventory	(101)	(120)	(4)
Increase in trade payables	364	243	13
Increase in other payables, provisions and long-term liabilities	198	155	6
Net cash from operating activities	427	390	749
Cash flows from investing activities			
Purchase of fixed assets	(117)	(50)	*(178)
Proceeds from sale of fixed assets	-	-	2
Investment in deferred expenses and intangible assets	(4)	(3)	(14)
Purchase of marketable securities	(186)	(16)	(179)
Proceeds from sale of marketable securities	25	20	163
Cash payments (receipts) in respect of future and forward transactions	1	4	7
Repayment of long-term loans	-	-	7
Loans granted	-	-	(1)
Loans to affiliated company	-	(2)	(8)
Investment in investment property	(4)	-	(3)
Interest received	8	3	10
Net cash used in investing activities	(277)	(44)	(194)

* Retrospective Implementation. See Note 3(1) regarding the initial implementation of new standards.

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

Condensed Consolidated Statement of Cash Flows (cont'd)

	Three months ended March 31		Year ended
	2010	2009	December 31
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Cash flows from financing activities			
Issuance of notes, net	-	-	496
Repayment of notes	(125)	(61)	(61)
Dividend paid	-	(104)	(247)
Exercise of stock options by employees	11	-	1
Receipt of long-term loans from banks	-	-	1
Repayment of long-term loans from banks	(1)	(30)	(32)
Change in short-term credit	(2)	-	2
Interest paid	(106)	(92)	(93)
Net cash from (used in) financing activities	(223)	(287)	67
Increase (decrease) in cash and cash equivalents	(73)	59	622
Balance of cash and cash equivalents at the beginning of the period	685	63	63
Balance of cash and cash equivalents at the end of the period	612	122	685

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

Notes to the Consolidated Financial Statements as at December 31, 2010

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 March 31, 2010 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. which is the controlling shareholder 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 with International Reporting Standards**

These condensed 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, 2009. Furthermore, these financial statements have been prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

These condensed consolidated interim financial statements were authorized for issue by the Company’s Board of Directors on April 27, 2010.

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 applied to the consolidated financial statements for the year ended December 31, 2009.

Note 3 – Significant Accounting Policies

Except as detailed in Item (1) below, 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, 2009.

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

Notes to the Consolidated Financial Statements as at December 31, 2010

Note 3 - Significant Accounting Policies (cont'd)**A. Initial implementation of new standards**

1. As from January 1, 2010 the Group implements the 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 Group leases land as both capitalized and non-capitalized leases from the Israel Lands Authority (hereinafter – the Authority) for a period of up to 49 years. Before the adoption of the Amendment, these leases were classified as operating leases. As a result of the implementation of the Amendment, the Group classified the leased lands as finance leases and they are presented in Fixed Assets.

Within the framework of the non-capitalized lease, the Company recorded a liability for future minimum lease payments that were capitalized at an interest rate of 5% as at the date of the contract with the Authority.

According to the rules of IAS 17, the Group did not record an asset and a liability in respect of future payments to exercise the option to extend the lease period, as these payments represent conditional lease payments, derived from the fair value of the land at the date of the future exercise of the option.

As a result of the adoption of the Amendment, the Company classified the leased land as a finance lease. Accordingly, Fixed Assets increased in respect of the land component by the amount of NIS 137, 135 and 135 million as at December 31, 2009, March 31, 2009 and December 31, 2008, respectively. A liability in respect of the lease payments was recorded in the Statement of Financial Position as at December 31, 2009, March 31, 2009 and December 31, 2008 in the amount of NIS 4 million for each year.

These classifications were made by retrospective implementation. The total effect on the retained earnings as at January 1, 2008 is a decrease of NIS 2 million. The effect on the profit after tax of the Company for the years 2007, 2008 and 2009 is negligible.

2. As from January 1, 2010, the Group implements the amendment to IAS 36, *Impairment of Assets* – Unite 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. The implementation of the Amendment has no effect on the operating results and the financial position of the Company.

Notes to the Consolidated Financial Statements as at December 31, 2010

Note 3 - Significant Accounting Policies (cont'd)

A. Initial implementation of new standards (cont'd)

3. Business combinations and transactions with non-controlling interests

As from January 1, 2010, the Group implements the IFRS 3 *Business Combinations* (2008). The principal revisions are as follows:

- Goodwill is not to be adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination. The utilization of the aforementioned losses will be posted to profit and loss.
- Put options that were issued by the Company to non-controlling interests (hereinafter- "minority interests") are recorded as a financial liability. In following periods, changes in the amount of the liability are recorded to profit and loss. Changes in the amount of the liability in respect of business combinations that occurred prior to January 1, 2010, that stem from changes in the estimate of the amount of the payment will continue to be recorded against goodwill and will not be recorded to profit and loss.

B. Presented hereunder are the Rates of Change in the Consumer Price Index and Dollar Exchange Rate:

	Consumer Price Index - on a basis of known index	Consumer Price Index - on a basis of the current month index	Exchange rate of US dollar
	%	%	%
Three months ended March 31, 2010	(1.0)	(0.9)	(1.1)
Three months ended March 31, 2009	(0.7)	(0.1)	10.1
Year ended December 31, 2009	3.8	3.9	(2.6)

Note 4 - Seasonality

The Company's retail business segment results are subject to seasonal fluctuations as a result of the consumption behavior of the population close to the holiday season in Israel.

Note 5 - Segment Reporting

The Company implements the instructions of IFRS 8 regarding Operating Segments.

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.

Notes to the Consolidated Financial Statements as at December 31, 2010

Note 5 - Segment Reporting (cont'd)**The retail segment**

This segment includes the retail marketing of food and other products in the Company's 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 President and 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 December 31, 2009, the Company's retail segment activity is carried out in 241 stores having a wide geographical spread.

The Company operates five 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.

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.

The rental real estate segment

This segment includes the rental of various types of real estate properties including commercial centers and other assets.

Notes to the Consolidated Financial Statements as at December 31, 2010

Note 5 - Segment Reporting (cont'd)

Operating segments (cont'd)

	Three months ended March 31, 2010			Three months ended March 31, 2009			Year ended December 31, 2009		
	(Unaudited)			(Unaudited)			(Audited)		
	Retail	Rental real estate NIS millions	Consolidated	Retail	Rental real estate NIS millions	Consolidated	Retail	Rental real estate NIS millions	Consolidated
Segment revenue	<u>2,750</u>	<u>15</u>	<u>2,765</u>	<u>2,618</u>	<u>13</u>	<u>2,631</u>	<u>10,984</u>	<u>57</u>	<u>11,041</u>
Operating profit	<u>108</u>	<u>6</u>	<u>114</u>	<u>102</u>	<u>5</u>	<u>107</u>	<u>476</u>	<u>* 20</u>	<u>496</u>
Financing expenses			<u>(35)</u>			<u>(18)</u>			<u>(195)</u>
Financing income			<u>13</u>			<u>26</u>			<u>133</u>
Share of losses of equity accounted investees		-	<u>-</u>		-	<u>-</u>		(1)	<u>(1)</u>
Taxes on income			<u>(21)</u>			<u>(29)</u>			<u>(108)</u>
Profit for the period			<u>71</u>			<u>86</u>			<u>237</u>

* In 2009 the operating profit in the rental real estate segment included an increase in value in the amount of NIS 3 million.

Notes to the Consolidated Financial Statements as at December 31, 2010

Note 6 - Legal Proceedings

1. On March 10, 2010, a claim and a request for the claim to be approved as a class action suit (“the Request for Approval”) were delivered to the offices of the Company, which were filed against the Company and against Fill-Tuna Industrials Ltd. (“Fill-Tuna”) in the District Court - Central Region. The Request for Approval is based on the argument, according to which the branches of the Company were selling “Shufersal” brand cans of tuna, manufactured by Fill-Tuna (“the Products”), and in which, allegedly, some of them contain higher levels of cholesterol than that which is marked on the Products. The group that the claimant wishes to represent is any consumer who purchased the Products commencing in January 2007. According to the arguments in the Request for Approval and the claim, this conduct, represents a breach of various legislation, and among them, among others, rules from the Consumer Protection Law – 1981, the Public Health Ordinance (Food) [New version] – 1983, concerning, among other things, consumer and contractual deception, a discrepancy in the description and standards of a product and lack of good faith. In the Request for Approval it is argued, that the amount of the personal claim of the plaintiff is estimated at a cost of NIS 710.5; the damages caused to the Group as a whole is estimated by the plaintiff at NIS 1,084,111,498.

In the opinion of the management of the Company, and based on the opinion of the Company’s legal advisors, the chances of the request to be approved as a class action suit being denied are greater than the chances of it being accepted. Therefore, no provision for these claims was included in the financial statements of the Company.

2. On March 24, 2010, a claim and a request for the claim to be approved as a class action suit (“the Request for Approval”) was delivered to the offices of the Company, which were filed against the Company in the District Court of Tel Aviv. The Request for Approval is based on the argument, according to which the cash register scales of the branches of “Shufersal Deal” were not at zero, and not calibrated, and as a result, “Shufersal Deal” customers pay more for products they purchase that are weighed at the cash. According to the arguments in the Request for Approval and the claim, this conduct, represents consumer deception, and a breach of the rules of the Weights and Measurements Ordinance – 1947 and the regulations passed under its authority, a breach of Section 2(a) of the Consumer Protection Law – 1981, which relates to a breach of legislative requirements, as well as negligence and gaining wealth illegally. The class action plaintiff estimates that the number of customers it represents includes 613,008 consumers and that the damage caused to each consumer amounts to NIS 200. Therefore, should the claim be accepted as class action, the damages caused to the Group as a whole is estimated by the plaintiff at NIS 122,601,600. At this early stage, at which the Company has not even submitted a response to the Request for Approval, the Company cannot assess the likelihood of the claim or the likelihood that it will be accepted as Class Action, nor the expected exposure to the Company in respect of the claim should it be accepted as a class action suit.

Legal Proceedings that ended:

1. On December 22, 2009 Mr. Lazarov (“the plaintiff”) filed a claim (“the Claim”) and a request to make the Claim a class action against the Company (and against “Emek Hefer Apiary” and against “Ta’am Teva-Altman General Partners”) (hereinafter the three together: “the defendants”) (“the Request for Approval”) in the District Court in Petach Tikva. Within the framework of the Request for Approval for a class action suit it was argued that the product called “light honey” which is marketed by Shufersal, does not meet the rules of Israeli Standard 373 – Honey (“the Standard”), and this is due to the fact that the product has additives, that per the Standard it is forbidden to add. On April 8, 2010, the Court ruled, according to an agreement between the parties, to reject the request for a class action suit and the claim against the Company and the two additional defendants, without a directive to cover expenses.

Notes to the Consolidated Financial Statements as at December 31, 2010

Note 7 - Taxes on Income

Non-applicability of International Financial Reporting Standards (IFRS) for tax purposes:

On February 4, 2010 Amendment 174 to the Income Tax Ordinance – Temporary Order for Tax Years 2007, 2008 and 2009 was published on the official gazette (hereinafter – “the Amendment to the Ordinance”). In accordance with the Amendment to the Ordinance, Israeli Accounting Standard No. 29 regarding the adoption of International Financial Reporting Standards (IFRS) shall not apply when determining the taxable income for those years even if it was applied when preparing the financial statements. The rules of the law with respect to the issue of the non-applicability of International Financial Reporting Standards (IFRS) for determining taxable income for the year 2010 have not yet been determined. The effect of the Amendment to the Ordinance on the financial statements is not material.