

Shufersal Group

Report for the Third quarter of 2024



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Introduction



The introduction includes, among other things, selected financial data, condensed information about the Company's strategy and material events and data in the reporting period presented using special graphic/visual tools, for the convenience of investors. The introduction chapter does not provide a full description of the Company's activity; it should be read in conjunction with all other parts of the periodic report.

The introduction chapter may include forward-looking information, as defined in the Securities Law, 1968, including forecasts, assessments, estimates and other information concerning future events and matters. Any forward-looking information included in the introduction chapter is based on assessments and assumptions made by the Company's management as of the report's publication date. Although the Company believes that these assessments and assumptions are reasonable, they are also inherently uncertain since they are pertinent to the risks associated with the Company's activity (including the risk factors listed in Part A of the periodic report), including factors which are not under the Company's control, each of which or a combination thereof may adversely affect the Company's results of operations, and in any event also the materialization of these assessments and forecasts.

SHUFERSAL

GROUP



1-9.2024

IN A GLANCE

Shufersal Group



Approx. 11.9 B NIS
Revenue



Approx. 1,453 M NIS
EBITDA
(12.2% of total Revenue)



Approx. 5.7%
Change in Same Store Sales



Approx. 693 M NIS
Operating Profit
(Before other income and expenses)



Approx. 3.9 B NIS
Equity



Approx. 0.2 B NIS
Net Debt



Approx. 9.1 B NIS
Market Value as of 24.11.24



iIAA-/Stable
Credit Rating

Q3 2024



431

Stores Nationwide



Approx. 15.3

Thousands of Employees
(including outsourced workers)



Approx. 3.7 B NIS

Fair Value of Assets
(as off 31.12.2023)



Approx. 553 K sq.m.

Commercial Space*



Approx. 615 Thousands

Credit Card Holders
(as off 31.12.2023)



Approx. 2.1 Million

Customers Club
(as off 31.12.2023)

* Gross area including sales areas and additional operating areas

SHUFERSAL

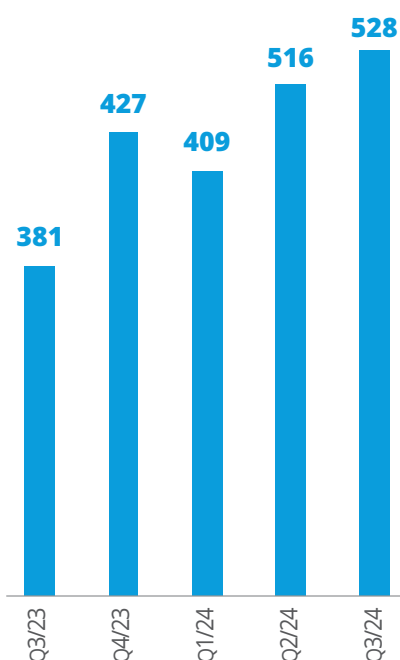
BY THE NUMBERS

Consolidated profit and loss (Millions NIS)

	Q3/2024	Q3/2023	Change % /difference*	1-9/2024	1-9/2023	Change % /difference*
Revenue	4,100	3,854	6.4%	11,882	11,277	5.4%
Gross profit	1,168	1,010	15.6%	3,333	2,996	11.2%
% Gross profit	28.5%	26.2%	2.3%*	28.1%	26.6%	1.5%*
Operating profit (Before other income and expenses)	266	138	92.8%	693	441	57.1%
% Operating profit (Before other income and expenses)	6.5%	3.6%	2.9%*	5.8%	3.9%	1.9%*
Operating profit (After other income and expenses)	330	139		800	463	
% Operating profit (After other income and expenses)	8.0%	3.6%	4.4%*	6.7%	4.1%	2.6%*
Net profit	238	51		496	190	
% Net profit	5.8%	1.3 %	4.5%*	4.2%	1.7%	2.5%*
EBITDA	528	381	38.6%	1,453	1,145	26.9%
EBITDA %	12.9%	9.9%	3.0%*	12.2%	10.2%	2.0%*

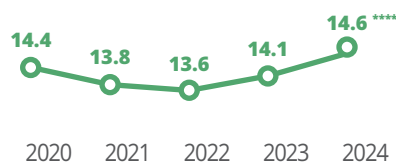


EBITDA (Millions NIS)



Income, sales & commercial space

Revenue* (B NIS)



Sales per sq.m.** (K NIS)



Commercial space*** (K sq.m.)



* Retail segment

** Shufersal stores incl. Online activity (gross areas)

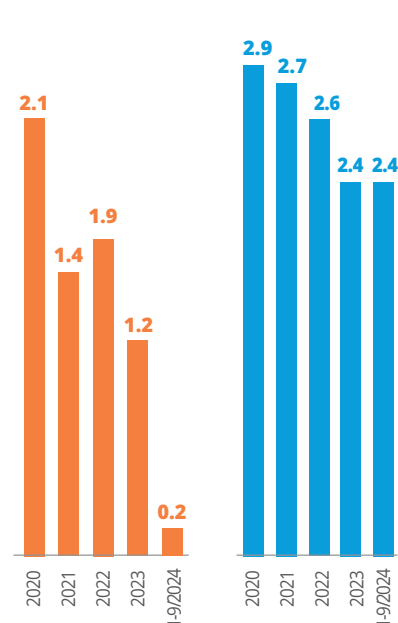
*** Shufersal stores excluding shipping warehouses (gross areas)

**** LTM

Debt* (Billions NIS)

Gross Debt

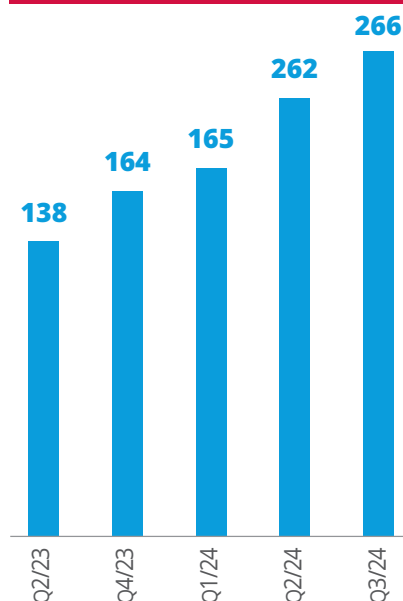
Net Debt**



* Liabilities to banking corporations, debentures, including interest payable

** Excluding cash and cash equivalents, short term deposits and marketable securities

Consolidated Operating* Profit (Millions NIS)



* Before other income and expenses

Segments (Millions NIS)

		 Retail	 Real Estate	 Be	Total*
9M/24	Revenue	10,952	200	852	11,882
9M/23	Revenue	10,429	188	777	11,277
	Change	523	12	75	605
9M/24	Operating profit (Before other income and expenses)	576	158	11	693
9M/23	Operating profit (Before other income and expenses)	337	144	12	441
	Change	239	14	-1	252

* Including adjustments to the consolidated financial statements as described in Note 6 to the consolidated financial statements

BOARD OF DIRECTORS AND MANAGEMENT

Members of the Shufersal

Board of Directors

Erez Halfon | Chairman of the Board*

Yosef Amir

Eldad Avraham

Iris Shapira Yalon

Prof. Itzhak Shapira

Moshe Attias

Michal Arlosoroff

Hezi Zaieg

Tsili Naveh

Moshe Weingarten

Shufersal management

Yosef Amir | CEO

Shlomo Amir | CEO

Efrat Binshtok | Deputy CEO

Itshak Cohen-Yehonatan | Deputy CEO

Gil Weiss | CFO

Aaron Kaufman | VP Legal Counsel

Dafna Engelshtein | VP of IT

Eran Sela | VP Retail & Sales

Yiftah Bloch | VP Supply Chain

Shlomo Reuven | VP of Security

Ella Berin | VP of Trade

Reut Refaeli Cohen | VP of Human Resources

Tom Yonai | VP of Communication and Innovation

Information for shareholders and investors

The Company's shares are traded on the Tel Aviv Stock Exchange, In the Tel Aviv index 35

Stock symbol "SAE"

Headquarters

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* Temporary chairman of the board of directors

Part A

Board of Directors' Report on the State of the Company's Affairs

**For the Nine-Month Period
Ended September 30, 2024**



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We hereby submit the Directors' Report of Shufersal Ltd. (hereinafter – "Shufersal" or "the Company") for the nine-month period ended September 30, 2024 (hereinafter – "the reporting period")¹, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter – "the reporting regulations"). Shufersal together with its subsidiaries and associate companies are hereinafter called "the Shufersal Group" or "the Group".

1. Explanations of the Board to the Company's Business Affairs

1.1 Principal data regarding the business affairs of the Company

The Shufersal Group is a retail group that owns the largest chain of supermarkets in Israel. As at September 30, 2024 the Group operates 431 branches throughout Israel, of which 319^{2,3} are Shufersal branches (including one Cash & Carry branch and two "Wholesale Food Distributor" branches), 99^{4,5} are branches of Be and 13⁵ are branches of Shufersal Stock. The Shufersal branches operate in several formats. The Company also has a business operation (B2B) that is carried out through dedicated branches (Cash & Carry and "Wholesale Food Distributor") and through warehouses of the Group. The Group's total commercial space encompasses approximately 553 thousand square meters (gross), of which approximately 500 thousand square meters are Shufersal branches, approximately 41 thousand square meters are Be branches and approximately 12 thousand square meters are Shufersal Stock branches. In addition, the Company has 2 automated delivery centers encompassing 50 thousand square meters. The Group employs about 15.3 thousand employees⁶ (about 14 thousand calculated positions) and has annual revenues of about NIS 16 billion⁷.

The Company has no controlling shareholder, per the definition of the term control in the Securities Law – 1968.

See Paragraph 1.1.3 hereunder for additional details regarding the conclusion of a transaction for the acquisition of 24.99% of the Company's share capital in February 2024 by Messrs. Yosef and Shlomo Amir, co-CEOs of the Company, and regarding a letter the Company received on April 16, 2024 from the representative of Yosef and Shlomo Amir concerning a voluntary application of certain restrictions that are applicable to controlling shareholders in a company.

1.1.1 Description of operating segments reported as business segments in the consolidated financial statements of the Company

The Company operates in three operating segments that are reported as business segments in its financial statements: the retail segment, the real estate segment and the Be segment. For details regarding the aforesaid operating segments, see Note 6 to the condensed consolidated interim financial statements as of September 30, 2024 (hereinafter – "the financial statements").

¹ For purposes of this report, "the date of this report" or "the reporting date" is the date of the statement of financial position as at September 30, 2024.

² Of which one branch having an area of 2.6 thousand square meters will be closed down according to the Company's streamlining plan. See Note 1.B(1) to the Company's consolidated financial statements for 2023.

³ Not including one branch of Gidron (a wholly owned subsidiary) that sells the bakery products manufactured by the Group.

⁴ Of which 2 branches having an area of 0.9 thousand square meters will be closed down according to the Company's streamlining plan. See Note 1.B(1) to the consolidated financial statements for 2023.

⁵ Not including sections that operate in the branches of Shufersal.

⁶ Including outsourced employees.

⁷ Total revenues of the Group in the last four quarters.

1.1.2 Management's discussion of the principal results for the nine months ended September 30, 2024

For details on the management's review for 2023, see Paragraph 1.1.2 to the Board of Directors' report on the state of the Company's affairs as at December 31, 2023 ("**the 2023 directors' report**") as was reported on March 27, 2024 in the framework of the Company's periodic report for 2023 (reference no.: 2024-01-026653) ("**the periodic report**").

The Company's results in the reporting period were affected by several principal matters:

- **Seasonality between quarters (see Paragraph 1.2 hereunder).**
- **Selling the Group's share of an associate company (see Paragraph 1.1.3 hereunder).**
- **The Iron Swords war**

The "Iron Swords" war broke out in Israel on October 7, 2023. In order to deal with the threats of the war, Israel took certain actions that included a wide scale mobilization of army reserves for long periods of time, evacuating dozens of communities located in the south of Israel, around the Gaza strip and in the north of Israel, on the border with Lebanon, temporarily or partly closing certain businesses, imposing various restrictions on civilian activity in wide areas, and more. All these have led to a certain reduction and slowdown in Israel's economic activity and have raised the economy's level of risk and uncertainty and led to several additional downgrades in Israel's credit rating, the last in October 2024, when the international rating agency Moody's lowered Israel's credit rating, for the second time this year, from A2 to Baa1 negative outlook and the international rating agency S&P lowered Israel's credit rating again from A+ to A negative outlook. Accordingly, also the rating of the 5 largest banks in Israel was lowered, on the backdrop of, inter alia, concerns regarding an additional deterioration in the security situation and particularly the more intense fighting between Israel and the Hizballah terrorist organization and the political instability in the country.

In the first days of the war the Company faced various challenges that included a sharp rise in demand for food and basic consumer products on the one hand along with a significant shortage of manpower that created delays in the supply chain and a decrease in demand in the business market on the other hand.

At the beginning of the war the Company acted to provide assistance and donations for supporting the people that were evacuated from their homes and the soldiers at the gathering sites and it also prepared an immediate assistance program for farmers in the communities around the Gaza strip and for local agricultural produce. Furthermore, the Company is in contact with the IDF Disabled Veterans Organization and it held a campaign collecting donations from customers at its checkout counters.

As at the reporting date, in respect of all the aforesaid there is no evident material effect on the Group's operating results and no material effect on the liquidity of the Company and its investees, or on their sources of financing.

In the opinion of the Company, insofar as the restrictions applicable to the Company's operations do not increase following a material deterioration in the security and/or economic situation in Israel, the effect of the war on the Company's operations and financial results is not expected to be material.

Since as at the date of issuing this report there is uncertainty with respect to the war developing (including all that relating to an additional escalation and the opening of additional fronts), its extent, continuation and effects, the Company is unable to assess the future effect of the war on its operating results, financial position, cash flows, real estate assets and financial strength.

It is emphasized that the Company's assessments regarding the possible effects of the Iron Swords war as aforesaid, on its activity, business and results, are forward-looking information, within its meaning in the Securities Law – 1968. These assessments are based on, inter alia, the experience of the Company's management in the areas in which it operates, the information in the possession of the Company at the reporting date and publicly available economic forecasts.

Therefore, there is no certainty that those assessments, all or part, will indeed be realized and they may be realized in a different manner than was assessed, including materially different, as a result of, inter alia, various matters including the war expanding, its effects and the uncertainty surrounding its nature and length, the situation of the economy, the situation of the retail market including competition in the industry, the situation of the real estate market and also as a result of the effect of one or more of the Company's risk factors as mentioned in Paragraph 19 of Part A to the Company's periodic report.

1.1.3 Principal events that occurred during the reporting period

- A.** On February 29, 2024 the Company received a notice on behalf of Messrs. Yosef and Shlomo Amir, by which Messrs. Yosef and Shlomo Amir had completed the acquisition, by means of companies controlled by them, of 66,389,833 ordinary shares of the Company (jointly) constituting 24.99% of the Company's share capital, from several institutional bodies. On March 4, 2024 the Company's Board of Directors, pursuant to its authority according to Regulation 77 of the Company's articles, approved the appointment of Messrs. Yosef Amir, Hezi Tzaig, Prof. Yitzhak Shapira (an independent director), Erez Halfon (an independent director), Ms. Tsili Naveh (an independent director) and Mr. Moshe Weingarten as new directors in the Company until the Company's next annual shareholders' meeting. At the same time, the director Mr. Shlomo Zohar gave notice of ending his term as a director in the Company⁸.

On March 4, 2024 the Company's board of directors (in its composition after appointment of the new directors, which was 13 directors, of which 8 were external and/or independent) approved the appointment of Mr. Yosef Amir as the Company's chairman of the board which was expected to come into effect when the Company's chairman at the time of the decision, Mr. Itzik Abercohen, retires on the date of the next shareholders' meeting convened by the Company or on April 11, 2024 (whichever earlier). Furthermore, the Board of Directors (in its composition after appointment of the new directors) approved the appointment of Mr. Shlomo Amir as the Company's CEO, which was expected to come into effect when the Company's CEO at the time of the decision, Mr. Ori Watermann, retires on the date of the shareholders' meeting convened by the Company and subject to its approval⁹.

⁸ As regards clarifications requested by the Securities Authority in respect of the decisions of the Company's Board of Directors on the appointment of the directors, see the Company's immediate report from April 11, 2024 (reference no. 2024-01-042126).

⁹ For further details regarding the aforesaid decisions of the Company's Board of Directors and the meeting convening report that was issued by the Company as aforesaid, see the Company's immediate reports from March 4, 2024 and March 6, 2024, respectively (reference nos. 2024-01-019276 and 2024-01-019618, respectively).

After further consideration, in its meeting on April 7, 2024 the Company's Board of Directors decided to cancel the meeting it had scheduled for April 10, 2024, and made the decisions described hereunder¹⁰. Further to this, the chairman of the board at the time of the decision, Mr. Itzik Abercohen, announced that under the circumstances of the matter he is requesting to move up his retirement date and is resigning effective immediately from his position as a director and as the Company's chairman of the board. Furthermore, the Company's CEO on the date of the decision, Mr. Ori Watermann, notified the Board of Directors that he is ending his term as the Company's CEO effective immediately. Further to the aforesaid and the notice of the Company's chairman of the board and CEO at the time of the decision regarding the conclusion of their term, the Company's Board of Directors has acted to appoint a new chairman of the board and CEO, as required in the Companies Law – 1999 (**"the Companies Law"**).

In this framework the Company's Board of Directors decided to appoint Prof. Yitzhak Shapira, who serves as an independent director in the Company, to act as the Company's chairman of the board, from the date of the Board of Directors' decision¹¹.

Furthermore, the Company's Board of Directors made a new decision to appoint Messrs. Yosef Amir and Shlomo Amir as co-CEOs in the Company (instead of the Company's CEO at the time of the decision), beginning from the date of the Board of Directors' meeting. See Note 9.A to the financial statements regarding the decision of the special general meeting of shareholders that was held subsequent to the reporting date to approve their terms of service.

On April 16, 2024 the Company received a letter from the representative of Messrs. Yosef and Shlomo Amir regarding a voluntary application of certain restrictions applicable to controlling shareholders of a company, further to a discussion that was held on the matter with the Securities Authority staff and even though Messrs. Yosef and Shlomi Amir are of the opinion that they are not controlling shareholders in the Company, which include: (a) The terms of service and employment of Messrs. Yosef and Shlomo Amir and of their relatives, as well as extraordinary transactions in which they have a personal interest, will be approved by the Company pursuant to the provisions of chapter five of the Companies Law that apply to a controlling shareholder or the Companies Regulations (Relaxations in Transactions with Interested Parties) – 2000, insofar as relevant; (b) Messrs. Yosef Amir and Shlomo Amir will be subject to the provisions that apply to a controlling shareholder in respect of the majority required for approving the appointment and ending the service of external directors in the Company, pursuant to the provisions of Mark E Chapter one Part six of the Companies Law. In the letter it was clarified that its content will come into effect on the date of the letter and continue for as long as there is no material change in the circumstances.

¹⁰ For further details see the Company's immediate report regarding the cancellation of the general meeting (reference no. 2024-01-040086).

¹¹ As regards clarifications requested by the Securities Authority in respect of the decisions of the Company's Board of Directors on the selection of the Company's chairman of the board, including regarding the establishment of a characterization committee with respect to the position of chairman of the board, see the Company's immediate report from April 11, 2024 (reference no. 2024-01-042126).

Shufersal Ltd.

See Note 7.B.3 to the financial statements for details regarding a claim and motion for certification as a class action that the Company received on April 30, 2024 and was filed with the Central Region District Court, against Messrs. Shlomo and Yosef Amir, the companies The Amir Brothers – Shlomi (2024) Ltd. and The Amir Brothers – Yossi (2024) Ltd. (hereinafter together – “**the respondents**”), and against the Company, as a formal respondent, alleging that the respondents acquired a controlling block and control in the Company without executing a tender offer by law contrary to Section 328 of the Companies Law, and in respect of unfair prejudice of public shareholders, breach of the duty of good faith, and unjust enrichment on account of the members of the alleged represented class.

It is noted that on May 2, 2024 Prof. Yitzhak Shapira gave notice of resignation from his service as the Company’s chairman of the board for reasons that do not require being made known to the public, and that he is continuing to serve as a director in the Company¹². On June 30, 2024 the Group’s Board of Directors decided to appoint Mr. Erez Halfon, who serves as an independent director in the Company, as the temporary chairman of the board, until the appointment of a permanent chairman of the board.

It is also noted that further to the confirmation and approval in their meetings on May 8, 2024 and May 27, 2024 of the retirement terms of Messrs. Itzik Abercohen and Ori Watermann by the Company’s compensation committee and Board of Directors, respectively, on May 28, 2024 the Company issued a meeting convening report for a special general meeting that on its agenda will be, inter alia, approval of the retirement terms as aforesaid. Further to talks the Company held with its shareholders, on July 15, 2024 the Company issued an amended meeting convening report in which it lowered the amount of the retirement grant offered to Messrs. Itzik Abercohen, the former chairman of the board, and Ori Watermann, the former CEO of the Company. On July 28, 2024 the general meeting of the Company’s shareholders convened and decided to not approve the aforesaid retirement terms¹³.

As at the reporting date, the Company’s board of directors is comprised of 10 directors, of which 7 directors are external and/or independent.

- B.** On March 26, 2024, the Company’s Board of Directors decided to distribute a dividend in the amount of NIS 180 million. The dividend was paid on May 1, 2024 to the shareholders on record as at April 4, 2024.
- C.** On May 26, 2024 the Securities Authority decided to extend until May 28, 2025 the period for offering securities according to the Company’s shelf prospectus.

¹² See the Company’s immediate report from May 2, 2024 (reference no. 2024-01-046836). Furthermore, see footnote 11 regarding the Company’s report on the establishment of a characterization committee for the position of chairman of the board.

¹³ For further details, see the Company’s immediate reports from July 15, 2024 and July 28, 2024, reference nos. 2024-01-072963 and 2024-01-077208, respectively, that are incorporated in this report by reference.

- D.** On May 27, 2024 the Company's Board of Directors, after receiving the approval of the compensation committee, approved an allotment of 391,676 share options of the Company (unlisted) and 64,094 restricted share units (RSU) to two officers. The options are exercisable into up to 391,676 ordinary shares of the Company of NIS 0.1 par value each, at an exercise price of NIS 24.82 per share (the exercise price will be dividend adjusted). The options and RSUs are offered under the terms of the Company's equity compensation plan, the Company's compensation policy and the provisions of the capital gains track prescribed in Section 102(B)(2) of the Income Tax Ordinance, and will be deposited with a trustee for the periods prescribed in Section 102 of the Ordinance. The options and RSUs were granted for no consideration. The aforesaid share options and RSUs were allotted on July 1, 2024. The grant date value of the options and RSUs was estimated to amount to NIS 4 million.
- E.** On June 5, 2024 Ms. Ayelet Tzur, the Group's CFO, gave notice that she is concluding her term, which was concluded de facto on August 31, 2024. Mr. Gil Weiss began his term as the Group's CFO on September 1, 2024.
- F.** Further to that mentioned in Paragraph 8.10.5 of the description of the entity's business in the periodic report in respect of the Company's holdings in Paybox Ltd. (a private company that the Company holds 49.9% of its share capital, hereinafter – "Paybox"), and further to that mentioned in the Company's immediate report from August 28, 2024 regarding an agreement to sell its entire interest in Paybox to Israel Discount Bank Ltd. (which holds about 50.1% of the share capital of Paybox, hereinafter – "the bank" and "the transaction", respectively), the transaction was completed on September 17, 2024, further to the suspensive conditions being met, such that on the date it was completed the bank acquired all the Company's holdings and rights in Paybox, including the capital notes and subordinated liability certificates it had granted it, for a total consideration of NIS 78 million (including linkage to the CPI of June 16, 2024, the date of signing the sale agreement, until the date of completing the transaction).
On the date of completing the transaction, the collaboration agreement that had been signed between the bank and Shufersal with respect to the activity of Paybox expired. The Company recognized in its financial statements a pre-tax gain in the amount of NIS 44 million.
- G.** Further to that mentioned in Paragraph 3.5 to Board of Directors' report for 2023, on September 1, 2024 the Company's general meeting decided to reverse the decision to replace the Company's auditor (pursuant to the decisions of the Company's general meeting that convened on January 22, 2024 and April 22, 2024) and to approve the reappointment of the auditing firm Kesselman & Kesselman (PwC) as the Company's auditor, until the end of the Company's next annual general meeting.
- H.** On September 24 and 26, 2024 the Company's compensation committee and Board of Directors, respectively, approved entering into an officers' insurance policy with Clal Insurance Company Ltd., pursuant to Regulation 1.B.1 to the Companies Regulations (Relaxations in Transactions with Interested Parties) – 2000. The policy is effective for a period of 14 months as from August 1, 2024 with a liability limit of US\$ 50 million per claim and aggregate¹⁴.
- I.** For details regarding a deductions audit of the tax authority, see Note 5.D to the financial statements.
- J.** For details regarding claims and legal proceedings during the reporting period, see Note 7 to the financial statements.

¹⁴ See the immediate report that was issued by the Company on September 26, 2024 (reference no.: 2024-01-606296)

1.2 Analysis of Results of Operations

In 2024 the Jewish holidays of Tishrei took place in October, as compared to 2023 in which the Tishrei holidays took place in September and October. Therefore, the effect of the Tishrei holidays on the results of operations in the third quarter of this year was greater than its effect on the results of operations in the corresponding quarter last year. The timing of the Tishrei holidays is reflected in, inter alia, the effect on sales as well as on balance sheet items such as trade receivables, inventories, trade payables and other payables.

1.2.1 Analysis of the results for the three months ended September 30, 2024 as compared to the corresponding period last year

	Results of operations for the three months ended September 30, 2024		Results of operations for the three months ended September 30, 2023	
	Percent	NIS millions	Percent	NIS millions
Revenues		4,100		3,854
<u>Gross profit</u>	28.5%	1,168	26.2%	1,010
Selling, marketing, administrative and general expenses	22.0%	(902)	22.6%	(872)
<u>Operating profit before other income (expenses)</u>	<u>6.5%</u>	<u>266</u>	<u>3.6%</u>	<u>138</u>
Increase in fair value of investment property, net		10		-
Other income, net		54		1
<u>Operating profit after other income (expenses)</u>	<u>8.0%</u>	<u>330</u>	<u>3.6%</u>	<u>139</u>
Financing expenses, net		(55)		(57)
Share in losses of associate company		-		(10)
<u>Profit before taxes on income</u>		<u>275</u>		<u>72</u>
Taxes on income		(37)		(21)
<u>Profit for the period</u>		<u>238</u>		<u>51</u>
Profit attributable to the Company's owners		237		50
Profit attributable to non-controlling interests		1		1

Retail segment revenues amounted to NIS 3,782 million in the third quarter of the year, compared with NIS 3,559 million in the corresponding period last year, an increase of 6.3% that is mainly due to an increase in same store sales¹⁵, on the backdrop of focusing on the commercial operation and the effect of the timing of the Tishrei holidays. The sales at Shufersal's stores and delivery centers amounted to NIS 3,908 million in the third quarter of the year, compared with NIS 3,668 million in the corresponding quarter last year, an increase of 6.6%. Same store sales¹⁵ increased by 6.8% in the third quarter of the year compared with the corresponding quarter last year. The sales per square meter¹⁶ at Shufersal's stores and delivery centers amounted to NIS 6,956 in the third quarter of the year, compared with NIS 6,285 in the corresponding quarter last year, an increase of 10.7% that is mainly due to the increase in sales and a reduction in selling areas.

In the third quarter of 2024, the sales of the retail segment through Shufersal Online constituted about 17.1% of the sales turnover of Shufersal's stores and delivery centers, compared with 17.9% in the corresponding period last year. The decline in the rate of online sales was due to the online sales increasing by a lower rate than that of the Shufersal stores.

In the third quarter of the year the sales of private label products attributed to the retail segment accounted for 23.6% of total sales in Shufersal's stores and delivery centers, compared with 26.5% in the corresponding period last year. The decline in the rate of sales of the private label is mainly attributed to the increase in the segment's revenues.

Real estate segment revenues amounted to NIS 69 million in the third quarter of the year, compared with NIS 64 million in the corresponding quarter last year, an increase of 7.8% that is mainly due to an increase in rental space and the rise in the CPI.

Revenues from the Be segment amounted to NIS 290 million in the third quarter of the year, compared with NIS 270 million in the corresponding quarter last year, an increase of 7.4% that is mainly due to deeper commercial activity and the expansion of marketing collaborations. Same store Be sales¹⁵ increased by 6.6% compared with the corresponding period last year. The sales per square meter¹⁶ of Be stores amounted to NIS 6,758 in the third quarter of the year, compared with NIS 6,632 in the corresponding quarter last year, an increase of 1.9%.

The Group's revenues amounted to NIS 4,100 million in the third quarter of the year, compared with NIS 3,854 million in the corresponding period last year, an increase of 6.4% that is due to the aforesaid. The Group's same store sales¹⁵ increased by 6.5% in the third quarter of the year, compared with the corresponding period last year.

Gross profit amounted to NIS 1,168 million in the third quarter of the year, compared with NIS 1,010 million in the corresponding period last year, an increase of NIS 158 million that is due to the increase in revenues as aforesaid. The gross profit rate is 28.5% of revenues compared with 26.2% in the corresponding period last year. The increase in the gross profit rate is mainly due to the increase in revenues and a decrease in various costs related to the cost of revenues.

Selling, marketing, administrative and general expenses amounted to NIS 902 million in the third quarter of the year, compared with NIS 872 million in the corresponding period last year. The ratio of expenses to revenues is 22.0% compared with 22.6% in the corresponding quarter last year.

The operating profit before other income (expenses) in the retail segment amounted to NIS 232 million in the third quarter of the year, a rate of 6.1% from revenues, compared with NIS 103 million and a rate of 2.9% from revenues in the corresponding period last year, an increase of NIS 129 million that is due to the aforesaid.

¹⁵ Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

¹⁶ The areas of branches that were opened or closed in the reporting period are calculated proportionately from the date they were opened or closed, respectively. The area of the branch is the gross area including selling areas and other operating areas.

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The operating profit before other income (expenses) in the real estate segment amounted to NIS 52 million in the third quarter of the year, a rate of 75.4% from revenues, compared with NIS 48 million and a rate of 75% from revenues in the corresponding period last year, an increase of NIS 4 million that is mainly due to the aforesaid.

The operating profit before other income (expenses) in the Be segment amounted to NIS 1 million in the third quarter of the year, a rate of 0.3% from revenues, compared with NIS 4 million and a rate of 1.5% from revenues in the corresponding period last year, a decrease of NIS 3 million that is mainly due to reductions that were made in connection with the rebranding of the chain's stores and the opening of new stores.

The Group's operating profit after other income (expenses) amounted to NIS 266 million in the third quarter of the year and a rate of 6.5% from revenues, compared with NIS 138 million and a rate of 3.6% from revenues in the corresponding period last year, an increase of NIS 128 million that is mainly due to the aforesaid.

Other income (expenses), net amounted to NIS 64 million in the third quarter of the year, that is mainly due to a gain in the amount of NIS 44 million from the sale of an associate company, the revaluation of investment property in the amount of NIS 10 million and the sale of non-financial assets in the amount of NIS 10 million.

The Group's operating profit after other income (expenses) amounted to NIS 330 million in the third quarter of the year and a rate of 8.0% from revenues, compared with NIS 139 million and a rate of 3.6% from revenues in the corresponding period last year, an increase of NIS 191 million that is mainly due to the aforesaid.

The operating profit before other income (expenses), depreciation and amortization (EBITDA)¹⁷ amounted to NIS 528 million and a rate of 12.9% of revenues in the third quarter of the year, compared with NIS 381 million and a rate of 9.9% of revenues in the corresponding quarter last year. The increase was mainly due to an increase in the operating profit as described above.

Financing expenses net, amounted to NIS 55 million in the third quarter of the year, compared with NIS 57 million in the corresponding period last year.

Tax expenses amounted to NIS 37 million in the third quarter of the year, compared with NIS 21 million in the corresponding period last year, an increase that is mainly due to the increase in the profit for the period.

The profit for the period amounted to NIS 238 million in the third quarter of the year, compared with NIS 51 million in the corresponding period last year, an increase that is due to the aforesaid.

The Company's basic and diluted earnings per share amounted to NIS 0.89 in the third quarter of the year, compared with NIS 0.19 in the corresponding period last year.

¹⁷ EBITDA is a measure that is not based on generally accepted accounting principles and does not take the place of information included in the financial statements. This measure is used by the Company's management for the purpose of, inter alia, getting an indication of the Group's ability to generate cash from business operations.

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Shufersal Ltd.

1.2.2 Summary results of the retail segment for the three months ended September 30, 2024 as compared to the corresponding period last year

	For the three-month period ended September 30	
	2024	2023
Retail segment		
Number of branches at the end of the period ¹⁸	319	314
Area of branches at the end of the period (gross) ¹⁸	500	513
Retail segment revenues	3,782	3,559
Gross profit	1,052	907
Gross profit rate	27.8%	25.5%
Operating profit before other income (expenses)	232	103
Operating profit after other income (expenses)	240	104

¹⁸ Not including one branch of Gidron (a wholly owned subsidiary) that sells the bakery products manufactured by the Group.

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1.2.3 Analysis of the results for the nine months ended September 30, 2024 as compared to the corresponding period last year

	Results of operations for the nine months ended September 30, 2024		Results of operations for the nine months ended September 30, 2023	
	Percent	NIS millions	Percent	NIS millions
Revenues		11,882		11,277
Gross profit	28.1%	3,333	26.6%	2,996
Selling, marketing, administrative and general expenses	22.2%	(2,640)	22.7%	(2,555)
<u>Operating profit before other income (expenses)</u>	<u>5.8%</u>	<u>693</u>	<u>3.9%</u>	<u>441</u>
Increase in fair value of investment property, net		33		34
Other income (expenses), net		74		(12)
<u>Operating profit after other income (expenses)</u>	<u>6.7%</u>	<u>800</u>	<u>4.1%</u>	<u>463</u>
Financing expenses, net		(163)		(165)
Share of losses of associate company		(18)		(33)
<u>Profit before taxes on income</u>		<u>619</u>		<u>265</u>
Taxes on income		(125)		(75)
<u>Profit (loss) for the period</u>		<u>494</u>		<u>190</u>
Profit attributable to the Company's owners		488		180
Profit attributable to non-controlling interests		6		10

Retail segment revenues amounted to NIS 10,952 million in the first nine months of the year, compared with NIS 10,429 million in the corresponding period last year, an increase of 5% that is mainly due to an increase in same store sales¹⁹ on the backdrop of focusing on the commercial operation and the effect of the timing of the Tishrei holidays. In the first nine months of the year the sales at Shufersal's stores and delivery centers amounted to NIS 11,335 million, compared with NIS 10,736 million in the corresponding period last year, an increase of 5.6%. Same store sales¹⁹ increased by 4.5% in the first nine months of the year compared with the corresponding period last year. The sales per square meter²⁰ at Shufersal's stores and delivery centers amounted to NIS 20,126 in the first nine months of the year, compared with NIS 18,689 in the corresponding period last year, an increase of 7.7% that is due to the increase in sales and a reduction in selling areas.

¹⁹ Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

²⁰ The areas of branches that were opened or closed in the reporting period are calculated proportionately from the date they were opened or closed, respectively. The area of the branch is the gross area including selling areas and other operating areas.

In the first nine months of 2024, the sales of the retail segment through Shufersal Online constituted about 17.4% of the sales turnover of Shufersal's stores and delivery centers, compared with 18.2% in the corresponding period last year. The decline in the rate of online sales was due to the online sales increasing by a lower rate than that of the Shufersal stores.

In the first nine months of the year the sales of private label products attributed to the retail segment accounted for 25.3% of total sales in Shufersal's stores and delivery centers and stores, compared with 27.2% in the corresponding period last year. The decline in the rate of sales of the private label is mainly due to the increase in the segment's revenues.

Real estate segment revenues amounted to NIS 200 million in the first nine months of the year, compared with NIS 188 million in the corresponding period last year, an increase of 6.4% that is mainly due to an increase in rental space and the rise in the CPI.

Revenues from the Be segment amounted to NIS 852 million in the first nine months of the year, compared with NIS 777 million in the corresponding period last year, an increase of 9.7% that is mainly due to deeper commercial activity and the expansion of marketing collaborations. Same store Be sales²¹ increased by 10.2% compared with the corresponding period last year. The sales per square meter²² of Be stores amounted to NIS 20,085 in the first nine months of the year, compared with NIS 19,202 in the corresponding period last year, an increase of 4.6%,

The Group's revenues amounted to NIS 11,882 million in the first nine months of the year, compared with NIS 11,277 million in the corresponding period last year, an increase of 5.4%, which is due to the aforesaid. The Group's same store sales²¹ increased by 5.7% in the first nine months of the year, compared with the corresponding period last year.

Gross profit amounted to NIS 3,333 million in the first nine months of the year, compared with NIS 2,996 million in the corresponding period last year, an increase of NIS 337 million that is due to the increase in revenues as aforesaid. The gross profit rate is 28.1% of revenues compared with 26.6% in the corresponding period last year. The increase in the gross profit rate is mainly due to the increase in revenues and a decrease in various costs related to the cost of revenues.

Selling, marketing, administrative and general expenses amounted to NIS 2,640 million in the first nine months of the year, compared with NIS 2,555 million in the corresponding period last year. The ratio of expenses to revenues is 22.3% compared with 22.7% in the corresponding period last year.

The operating profit before other income (expenses) in the retail segment amounted to NIS 576 million in the first nine months of the year, a rate of 5.3% from revenues, compared with NIS 337 million and a rate of 3.2% from revenues in the corresponding period last year, an increase of NIS 239 million that is due to the aforesaid.

The operating profit before other income (expenses) in the real estate segment amounted to NIS 158 million in the first nine months of the year, a rate of 79% from revenues, compared with NIS 144 million and a rate of 76.6% from revenues in the corresponding period last year, an increase of NIS 14 million that is mainly due to the aforesaid.

The operating profit before other income (expenses) in the Be segment amounted to NIS 11 million in the first nine months of the year, a rate of 1.3% from revenues, compared with NIS 12 million and a rate of 1.5% from revenues in the corresponding period last year.

²¹ Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

²² The areas of branches that were opened or closed in the reporting period are calculated proportionately from the date they were opened or closed, respectively. The area of the branch is the gross area including selling areas and other operating areas.

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The Group's operating profit after other income (expenses) amounted to NIS 693 million in the first nine months of the year and a rate of 5.8% from revenues, compared with NIS 441 million and a rate of 3.9% from revenues in the corresponding period last year, an increase of NIS 252 million that is mainly due to the aforesaid.

Other income (expenses), net amounted to NIS 107 million in the first nine months of the year that is mainly due to a gain in the amount of NIS 44 million from the sale of an associate company, the revaluation of investment property in the amount of NIS 33 million and income in the amount of NIS 30 million from the sale of non-financial assets.

The Group's operating profit after other income (expenses) amounted to NIS 800 million in the first nine months of the year and a rate of 12.2% from revenues, compared with NIS 463 million and a rate of 4.1% from revenues in the corresponding period last year, an increase of NIS 337 million that is mainly due to the aforesaid.

The operating profit before other income (expenses), depreciation and amortization (EBITDA)²³ amounted to NIS 1,453 million and a rate of 12.2% of revenues in the first nine months of the year, compared with NIS 1,145 million and a rate of 10.2% of revenues in the corresponding period last year. The increase was mainly due to an increase in the operating profit.

Financing expenses net, amounted to NIS 163 million in the first nine months of the year, compared with NIS 165 million in the corresponding period last year.

Tax expenses amounted to NIS 123 million in the first nine months of the year, compared with NIS 75 million in the corresponding period last year, an increase that is mainly due to the increase in the profit for the period.

The profit for the period amounted to NIS 496 million in the first nine months of the year, compared with NIS 190 million in the corresponding period last year, a change that is due to the aforesaid.

The Company's basic and diluted earnings per share amounted to NIS 1.84 in the first nine months of the year, compared with NIS 0.68 in the corresponding period last year.

1.2.4 Summary results of the retail segment for the nine months ended September 30, 2024 as compared to the corresponding period last year

	For the nine-month period ended September 30	
	2024	2023
Retail segment		
Number of branches at the end of the period ²⁴	319	314
Area of branches at the end of the period (gross) ²⁴	500	513
Retail segment revenues	10,952	10,429
Gross profit	2,989	2,684
Gross profit rate	27.3%	25.7%
Operating profit before other income (expenses)	576	337
Operating profit after other income (expenses)	603	325

²³ EBITDA is a measure that is not based on generally accepted accounting principles and does not take the place of information included in the financial statements. This measure is used by the Company's management for the purpose of, inter alia, getting an indication of the Group's ability to generate cash from business operations.

²⁴ Not including one branch of Gidron (a wholly owned subsidiary) that sells the bakery products manufactured by the Group.

1.3 Financial Position, Liquidity and Sources of Finance

1.3.1 Cash flow – Analysis of the results for the third quarter of 2024 as compared with the corresponding quarter last year

Cash flow from operating activities

Net cash from operating activities amounted to NIS 826 million in the third quarter of 2024, compared with NIS 1,199 million in the corresponding quarter last year. The decrease in cash flow from operating activities is mainly due to a non-recurring effect in the corresponding period last year of an improvement in payment terms with the credit card companies that resulted in changes in working capital items and offset the increase in profit for the period (for more information see the statements of cash flows that are included in the financial statements).

Cash flow used in investing activities

Net cash used in investing activities amounted to NIS 378 million in the third quarter of 2024, compared with NIS 661 million in the corresponding quarter last year. The cash used in investing activities in the third quarter of 2024 included mainly an investment in deposits in the amount of NIS 409 million and the acquisition of property in the amount of NIS 69 million, and on the other hand consideration received from the sale of an associate company in the amount of NIS 78 million.

The cash used in investing activities in the third quarter of 2023 included mainly an investment in deposits in the amount of NIS 550 million and the acquisition of property in the amount of NIS 112 million.

Cash flow used in financing activities

Net cash used in financing activities amounted to NIS 182 million in the third quarter of 2024, compared with NIS 178 million in the corresponding quarter last year. The cash used in financing activities in the third quarter of 2024 included mainly repayment of lease liabilities in the amount of NIS 147 million.

The cash used in financing activities in the third quarter of 2023 mainly included mainly repayment of lease liabilities in the amount of NIS 142 million.

1.3.2 Cash flow – Analysis of the results for the nine months ended September 30, 2024 as compared with the corresponding period last year

Cash flow from operating activities

Net cash from operating activities amounted to NIS 1,907 million in the first nine months of 2024, compared with NIS 1,638 million in the corresponding period last year. The increase in cash flow from operating activities is mainly due to an increase in the profit for the period and changes in working capital items that were offset by a non-recurring effect in the corresponding period last year of an improvement in payment terms with the credit card companies (for more information see the statements of cash flows that are included in the financial statements).

Cash flow used in investing activities

Net cash used in investing activities amounted to NIS 670 million in the first nine months of 2024, compared with NIS 968 million in the corresponding period last year. The cash used in investing activities in the first nine months of 2024 included mainly a net investment in deposits in the amount of NIS 500 million and the acquisition of property in the amount of NIS 281 million, and on the other hand consideration received from the sale of an associate company in the amount of NIS 78 million and interest received in the amount of NIS 44 million. The cash used in investing activities in the first nine months of 2023 included mainly a net investment in deposits in the amount of NIS 544 million and the acquisition of property in the amount of NIS 437 million.

Cash flow used in financing activities

Net cash used in financing activities amounted to NIS 694 million in the first nine months of 2024, compared with NIS 491 million in the corresponding period last year.

The cash used in financing activities in the first nine months of 2024 included mainly repayment of lease liabilities in the amount of NIS 441 million and a dividend payment in the amount of NIS 180 million.

The cash used in financing activities in the first nine months of 2023 included mainly repayment of lease liabilities in the amount of NIS 411 million.

1.3.3 Liquid asset balances and financial ratios

As at the end of the third quarter of 2024, the net liquid assets (cash and cash equivalents and short-term deposits less short-term credit from banks) amounted to NIS 2,176 million, compared with NIS 1,441 million in the corresponding quarter last year. As at the end of 2023, the net liquid assets amounted to NIS 1,133 million.

As at the end of the third quarter of 2024, the liabilities to the holders of bonds and to banks, including interest payable (hereinafter – “**the financial debt**”) amounted to NIS 2,393 million, compared with NIS 2,613 million in the corresponding quarter last year.

The ratio of the Company's financial debt to its total assets was approximately 15.1% at the end of the third quarter of 2024, compared with 17.1% in the corresponding quarter last year. Total financial debt as at the end of 2023 amounted to NIS 2,367 million, and the ratio of financial debt to total assets was approximately 15.9% at that time.

The financial debt less cash and cash equivalents and short-term deposits (hereinafter – “**the net financial debt**”) amounted to NIS 206 million at the end of the third quarter of 2024 compared with NIS 1,163 million in the corresponding quarter of last year. The net financial debt amounted to NIS 1,225 million at the end of 2023.

As at the end of the third quarter of 2024, the Company's equity amounted to NIS 3,884 million, compared with NIS 3,436 million at the end of the corresponding quarter last year. The ratio of the Company's equity to its total assets was approximately 24.4% as at the end of the third quarter of 2024, compared with 22.5% at the end of the corresponding quarter last year.

As at the end of 2023, the Company's equity amounted to NIS 3,568 million and the ratio of the Company's equity to its total assets was approximately 23.9% at that time.

1.3.4 Board of Directors' discussion of the Company's liquidity in view of the working capital deficit as at September 30, 2024

As at September 30, 2024, the Company has a working capital deficit (on a consolidated basis) of NIS 583 million, compared with a working capital deficit of NIS 1,045 million as at December 31, 2023 and a working capital deficit of NIS 822 million as at September 30, 2023. The Company has a working capital deficit (on a stand-alone basis) as at September 30, 2024 of NIS 722 million, compared with a working capital deficit of NIS 1,100 million as at December 31, 2023 and of NIS 918 million as at September 30, 2023.

The decrease in the working capital deficit (on a consolidated and stand-alone basis) as at September 30, 2024 compared with September 30, 2023 is mainly due to changes in current asset and liability items. The Company ended the third quarter with a positive cash flow from operating activities (see Paragraph 1.3.2 above).

As at September 30, 2024 the Company has agreements with banking institutions to provide to the Company a credit facility. The agreements are for periods ending in December 2024 and December 2025, in the total amount of NIS 400 million and the Company does not foresee any difficulty in receiving credit facilities for additional periods, insofar as it needs to do so. As at September 30, 2024 and the date of issuing this report, these credit facilities have not yet been utilized.

The assessment of the Company's accessibility to sources of credit (including issuing additional bonds, insofar as needed) and the assessment of the Company's accessibility to possible additional sources of financing, took into consideration the yield to maturity at which the Company's bonds are traded, the Company's rating, the Company's past experience in raising capital, raising debt and refinancing, the Company's aforesaid credit facilities, the Company's ability to realize real estate and the fact that the Company and its subsidiaries own significant unencumbered real estate properties. It is noted that as at the date of issuing this report, there is only a small number of liens of an insignificant amount on the assets of the Company and its subsidiaries.

In view of all the aforesaid, and taking into account the Company's accessibility to additional sources of credit and financing, and in view of the Group's balances of cash and cash equivalents and the Group's cash flow forecast for the two year period from the reporting date, the Board of Directors decided that notwithstanding the working capital deficit as at September 30, 2024, the Company does not have a liquidity problem.

It is emphasized that the information on the Company's accessibility to sources of financing is forward-looking information, within its meaning in the Securities Law – 1968, which is mainly based on the Company's forecasts. This assessment may not be realized or may be realized in a different manner than was assessed, including materially different, as a result of, inter alia, matters that are not under the control of the Company, including market behavior and realization of one or more of the risk factors mentioned in Paragraph 18 of Part A to the periodic report.

2. Description of Market Risks

No material changes have occurred during the reporting period as regarding the exposure of the Company to market risks and the management thereof in relation to the Company's reports on this matter in the directors' report for 2023. Market risks include changes in the value of financial instruments that are caused by fluctuations in interest rates, the Consumer Price Index and foreign currency exchange rates.

2.1 Consumer Price Index risks

The Company is exposed to changes in the Consumer Price Index ("the CPI") in respect of CPI-linked bonds issued by the Company that amount to NIS 820 million as at September 30, 2024 (compared with NIS 942 million as at September 30, 2023), loans from banks that amount to NIS 145 million as at September 30, 2024 (compared with NIS 92 million as at September 30, 2023) and lease liabilities that amount to NIS 4,551 million as at September 30, 2024 (compared with NIS 4,707 million as at September 30, 2023). Due to the aforesaid, the Company is exposed to CPI-linked payments in the annual amount of NIS 566 million in respect of lease liabilities, of NIS 183 million in respect of CPI-linked bonds and of NIS 11 million in respect of loans from banks. As at September 30, 2024 the Company has swap transactions for exchanging CPI-linked NIS cash flows with fixed NIS cash flows in respect of the Company's Series F bonds. The amount of the swap transactions is NIS 333 million. The transactions are accounted for as accounting hedges.

In the third quarter of 2024, the Company incurred financing income from these transactions in the amount of NIS 5.4 million, compared with NIS 2.3 million in the corresponding quarter last year.

2.2 Foreign currency risks

The Company's policy is to hedge the currency exchange rates in respect of import of goods from outside of Israel.

As at September 30, 2024, the Company has forward contracts on the rate of the dollar in the amount of US\$ 15 million for settlement until August 2025 and forward contracts on the rate of the euro in the amount of € 11 million for settlement until August 2025. In the third quarter of 2024, the Company incurred financing income in the amount of NIS 11 million in respect of those contracts, compared with NIS 5.2 million in the corresponding quarter last year. The Company's exposure to currency risks is insignificant.

2.3 Interest risks

The Company is exposed to changes in interest rates mainly in relation to the actuarial value of liabilities for employee benefits and the fair value of investment property. In the reporting period, the effect of the aforesaid on the Company's results was immaterial.

3. Corporate Governance

3.1 The Company's Board of Directors and its committees

The Company has no controlling shareholder. See Paragraph 1.1.3 above for additional details regarding the conclusion of a transaction for the acquisition of 24.99% of the Company's share capital in February 2024, as described hereunder, by Messrs. Yosef and Shlomo Amir, co-CEOs of the Company, and regarding a letter the Company received on April 16, 2024 from the representative of Yosef and Shlomo Amir concerning a voluntary application of certain restrictions that are applicable to controlling shareholders in a company.

As at the date of this report, the Company's Board of Directors is comprised of 10 directors coming from different backgrounds and areas of expertise, of which 7 are independent directors (two external directors and five independent directors), this after on July 28, 2024 a special shareholders' meeting of the Company approved the appointment of Ms. Iris Shapira Yalon as an external director in the Company for a second term of three years beginning from July 21, 2024, and after on September 1, 2024 the Company's annual shareholders' meeting approved the appointment of Mr. Erez Halfon (chairman of the board, independent director), Mr. Yosef Amir, Mr. Hezi Tzaig, Ms. Michal Arlosoroff (independent director), Mr. Moshe Attias (independent director), Prof. Yitzhak Shapira (independent director) and Mr. Moshe Weingarten as directors in the Company effective from the date of the annual shareholders' meeting until the date of the Company's next annual shareholders' meeting. On the same date, the directors Mr. Ilan Ron and Mr. Ron Hadassi concluded their term as directors in the Company.

In addition, further to the decisions of the Board of Directors in its meeting on April 7, 2024 as described in paragraph 1.1.3 above, Mr. Itzik Abercohen, the chairman of the board at the time of the decisions, announced that he is resigning his position as a director and the Company's chairman of the board effective immediately. Further to the aforesaid and the notice of the Company's chairman of the board regarding the conclusion of his term, the Company's Board of Directors acted to appoint a chairman of the board, as required in the Companies Law, and appointed Prof. Yitzhak Shapira, who serves as an independent director in the Company, to act as the Company's chairman of the board, from the date of the Board of Directors' decision²⁵. On May 2, 2024 Prof. Yitzhak Shapira gave notice of resignation from his service as the Company's chairman of the board for reasons that do not require being made known to the public, and that he is continuing to serve as a director in the Company²⁶. On June 30, 2024 the Group's Board of Directors decided to appoint Mr. Erez Halfon, who serves as an independent director in the Company, as the temporary chairman of the board, until the appointment of a permanent chairman of the board.

²⁵ As regards clarifications requested by the Securities Authority in respect of the decisions of the Company's Board of Directors on the appointment of the new directors and the selection of the Company's chairman of the board, including regarding the establishment of a characterization committee with respect to the position of chairman of the board, see the Company's immediate report from April 11, 2024 (reference no. 2024-01-042126).

²⁶ See the Company's immediate report from May 2, 2024 (reference no. 2024-01-046836). Furthermore, see footnote 9 regarding the Company's report on the establishment of a characterization committee for the position of chairman of the board.

3.2 Contribution to the Community

A. Donation of funds or products

In accordance with that mentioned in Paragraph 3.6.A to the Board of Directors' report for 2023, the total amount of monetary donations and gift cards was NIS 2.4 million in the reporting period.

B. Contribution activities

In accordance with that mentioned in Paragraph 3.6.C to the Board of Directors' report for 2023, as part of the contribution activities, cash or cash equivalent (foodstuffs) in the amount of about NIS 10.7 million were donated.

In the reporting period there were no donations higher than NIS 50 thousand to any one particular organization, other than donations to 4 associations neither of which has connections to the Company, a director and/or the CEO of the Company.

4. Directives Regarding Disclosures Pertaining to the Financial Reporting of the Company

4.1 Material events that occurred subsequent to the reporting date

- A. On November 3, 2024, subsequent to the reporting date, a special shareholders' meeting of the Company decided to approve the terms of service of Mr. Yosef Amir and Mr. Shlomo Amir as co-CEOs of the Company, based on the principles set forth in paragraph 2 of the transaction report and meeting convening report that was issued by the Company on September 26, 2024²⁷. See Note 9.A to the financial statements for details regarding their principal terms of employment.
- B. Further to that mentioned in paragraph 8.10.4 to the chapter describing the entity's business and Note 5.C.(3) to the annual consolidated financial statements in the periodic report, with respect to an agreement between the Company and the shareholders of "Dan Deal Group", on November 5, 2024 the Company received a letter on behalf of the shareholders of "Dan Deal Group" in which the shareholders of "Dan Deal Group" allege that the Company is not meeting its liabilities pursuant to the agreement as, inter alia, according to them the Company did not and is not making all reasonable efforts for maximizing the performance of Shufersal Stock, which according to them causes damage to Shufersal Stock. According to the shareholders of "Dan Deal Group" the Company's liabilities pursuant to the agreement were at the heart of the parties' agreements to split the transaction consideration and postpone a significant part of it to after the end of 2026.
- C. For details regarding material events that occurred subsequent to the date of the Company's statement of financial position as at September 30, 2024, see Note 9 to the financial statements.

²⁷ See the complementary immediate report that was issued by the Company on October 28, 2024 (reference no. 2024-01-612223) and the report regarding the results of the shareholders' meeting that was issued by the Company on November 3, 2024 (reference no. 2024-01-613455).

5. Specific Disclosure for Holders of Bonds

Data as at September 30, 2024

Series	Date of issuance	Par value on date of issuance (NIS millions)	Proceeds on date of issuance net of issuance expenses (NIS millions)	Balance of par value, excluding linkage (NIS millions)	Balance of par value, including linkage (NIS millions)	Carrying amount (NIS millions)	Accumulated interest (NIS millions)	Stock market/fair value (NIS millions)	Type of interest	Effective interest rate on date of issuance	Stated interest	Principal payment date		Interest payment dates	Type of linkage
												First date	Last date		
Series D	Oct. 2013	472	468	177	204	204	6	208	Fixed	3.12%	2.99%	Oct. 8, 2014	Oct. 8, 2029	Annual interest on Oct. 8 of each year between 2014 and 2029	CPI
Series E	Oct. 2013	448	444	168	168	176	8	167	Fixed	5.23%	5.09%	Oct. 8, 2014	Oct. 8, 2029	Annual interest on Oct. 8 of each year between 2014 and 2029	Unlinked
	Nov. 2016	463	**473	214	214	227	11	213	Fixed	4.50%	5.09%	Oct. 8, 2017	Oct. 8, 2029	Annual interest on Oct. 8 of each year between 2017 and 2029	Unlinked
	Jan. 2018	476	563	238	238	267	12	237	Fixed	2.12%	5.09%	Oct. 8, 2018	Oct. 8, 2029	Annual interest on Oct. 8 of each year between 2018 and 2029	Unlinked

Board of Directors' Report on the State of the Company's Affairs for the Nine-Month Period Ended September 30, 2024

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)	Balance of par value, excluding linkage (NIS millions)	Balance of par value, including linkage (NIS millions)	Carrying amount (NIS millions)	Accumulated interest (NIS millions)	Stock market/fair 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 F	Sep. 2015	317	313	176	203	211	9	213	Fixed	4.44%	4.30%	Oct. 8, 2020	Oct. 8, 2028	Annual interest on Oct. 8 of each year between 2016 and 2028	CPI
	Jul. 2016	601	**643	334	385	400	16	403	Fixed	4.50%	4.30%	Oct. 8, 2020	Oct. 8, 2028	Annual interest on Oct. 8 of each year between 2016 and 2028	CPI
Series G	Jan. 2019	555	549	488	488	488	2	462	Fixed	3.69%	3.52%	Feb. 20, 2022	Aug. 20, 2030	Semi-annual interest on Aug. 20 and Feb. 20 of each year between 2019-2030	Unlinked
	Apr. 2020	300	312	264	264	270	1	250	Fixed	2.97%	3.52%	Feb. 20, 2022	Aug. 20, 2030	Semi-annual interest on Aug. 20 and Feb. 20 of each year between 2020-2030	Unlinked
		3,632	3,765	2,059	2,164	2,248	65	2,153							

* 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 E and Series G bonds are not linked to the CPI).

** No cash consideration was received in respect of those issues, which were executed as part of an exchange offer for Series B bonds of the Company as discussed in Note 17 to the Company's consolidated financial statements as at December 31, 2017. The considerations above refer to the par value of Series B bonds exchanged in the purchase offer (including accrued interest).

Notes:

1. On February 20 and August 20, 2024 the Company paid principal and interest on the Series G bonds in the amount of NIS 31 million each.
2. On October 8, 2024 the Company paid principal and interest on the Series D bonds in the total amount of NIS 40 million, on the Series E bonds in the total amount of NIS 134 million and on the Series F bonds in the total amount of NIS 142 million.
3. Payments on account of bond principal in Series D, E and F are annual payments. The payments on account of the Series G bonds are 18 semi-annual unequal payments to be paid on February 20 and August 20 of each of the years 2022 through 2030 (inclusive) (six are payments of 2% of the principal, two payments are 3% of the principal, two payments are 6% of the principal, two payments are 7% of the principal, four are 9% of the principal and two are 10% of principal).
4. The trustee of the Series D bonds and Series E bonds is Reznik Paz Nevo Trustees Ltd., from 14 Yad Haroutzim St., Tel-Aviv (tel. 03-6389200, fax. 03-6389222). The contact person at the trustee for the Series D bonds and Series E bonds is Mr. Yossi Reznik, CPA, e-mail: Trust@rpn.co.il
The trustee of the Series F bonds is Strauss Lazar Trust Company (1992) Ltd., from 94 Yigal Alon St., Alon Tower 2, Tel Aviv (tel. 03-6237777, fax. 03-5613824). The contact person at the trustee for the Series F bonds is Mr. Ori Lazer, CPA and Adv., e-mail: ori@slcpa.co.il
The trustee of the Series G bonds is Hermetic Trust (1975) Ltd., from 30 Sheshet Hayamim Road, Bnei Braq (tel. 03-5544553, fax. 03-5271736). The contact persons at the trustee for the Series G bonds are Ms. Merav Ofer-Oren and/or Mr. Dan Avnon, e-mail: hermetic@hermetic.co.il.
5. In the first nine months of 2024 and up to the date of issuing this report, the Company is in compliance with all the conditions and liabilities under the trust deeds of the outstanding bonds and there is no cause for demanding immediate repayment of the Company's outstanding bonds.
6. The Company's outstanding Series D, E, F and G bonds are material. All the series of bonds are listed for trade on the Tel Aviv Stock Exchange.
7. Among the causes for immediate repayment of the Series D, E, F and G bonds is also the event of another debt of the Company to a bank and/or other financial institution being called for immediate repayment, providing that the total amount called for immediate repayment is higher than NIS 300 million, or another outstanding series of the Company's bonds being called for immediate repayment (not initiated by the Company) (in Series D and E, the cause of cross-default of other bonds series was conditioned on the amount of the other series called for immediate repayment being at least NIS 40 million); all according to the terms provided in the trust deeds under which the relevant bond series were issued.
8. In accordance with the terms of the trust deeds of the Company's Series D, E, F and G bonds, the Company is permitted to early redeem (fully or partially) the Series D, E, F and G bonds. For additional details, see Paragraph 9.2 of the trust deed of the Series D bonds and Paragraph 9.2 of the trust deed of the Series E bonds as detailed in the trust deed's annex of the Company's shelf prospectus dated May 30, 2012, as amended on September 30, 2013, Paragraph 9.2 of the trust deed of the Series F bonds as detailed in the trust deed's annex of the Company's shelf registration statement dated September 3, 2015 that was issued in accordance with the Company's shelf prospectus dated June 25, 2015, and Paragraph 9.2 of the trust deed of the Series G bonds, as detailed in the trust deed's annex of the Company's shelf registration statement dated January 16, 2019.

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Shufersal Ltd.

9. The Series D, E, F and G bonds include financial covenants. See Note 17 to the annual financial statements that were a part of the periodic report, for further details regarding the terms of the Company's Series D, E, F and G bonds, including a commitment to comply with financial covenants, a commitment to not create a current pledge, and restrictions relating to dividend distribution.

Presented hereunder are the results of calculating the financial covenants committed to by the Company in accordance with the terms of the Series D, E, F and G bonds (and in accordance with the terms of the Company's credit facilities) as at September 30, 2024:

Financial covenant	Calculation results As at September 30, 2024
Ratio of net (financial) debt to total balance sheet shall not exceed 60%	1.3%
The Company's total equity (including non-controlling interests) shall not fall below NIS 550 million (with respect to Series D, E and F bonds) and NIS 800 million (with respect to Series G bonds)	NIS 3,884 million

Presented hereunder are the results of calculating the dividend distribution restrictions that apply to the Company in accordance with the terms of the Series D, E, F and G bonds (and in accordance with the Company's credit facilities) as at September 30, 2024:

Restriction	Calculation results as at September 30, 2024
The Company's total equity (including non-controlling interests) shall not fall below NIS 750 million (with respect to Series D, E and F bonds) and NIS 1,000 million (with respect to Series G bonds)	NIS 3,884 million
Ratio of the Company's net (financial) debt to annual EBITDA shall not exceed 7 (with respect to Series D, E and F bonds) and 5 (with respect to Series G bonds)	0.11

10. **Details regarding the credit rating of the Company**

As at the date of this report the Company's rating is (AA-) Stable and its bonds are rated (AA), in accordance with the Company's rating affirmation by Ma'alot from October 2024. For details regarding the rating affirmation of the Company and its bonds, see the Company's immediate report of October 16, 2024¹ (reference no. 2024-01-610605).

11. Information on the rating of outstanding bonds

Series	Name of rating company	Current rating and current outlook	Rating on date of issuance	Additional ratings between the original date of issuance and the date of this report	
				Date	Rating
Series D – Bonds listed for trade	Ma'alot	ilAA	ilA+ Negative	October 3, 2013 (initial rating)	ilA+ Negative
				April 23, 2014 (affirmation of rating)	ilA+ Stable
				May 6, 2015 (lowering of rating and affirmation of rating outlook)	ilA Stable
				May 26, 2016 (affirmation of rating and raising of rating outlook)	ilA Positive
				September 20, 2016 (raising of rating and raising of rating outlook)	ilA+ Stable
				May 28, 2017 (affirmation of rating and raising of rating outlook)	ilA+ Positive
				January 15, 2018 (raising of rating and update of rating outlook)	ilAA- Stable
				March 19, 2018 (raising of rating)	ilAA
				October 6, 2019 (affirmation of rating)	ilAA
				April 5, 2020 (affirmation of rating)	ilAA
				September 24, 2020 (affirmation of rating)	ilAA
				October 3, 2021 (affirmation of rating)	ilAA
				October 3, 2022 (affirmation of rating)	ilAA
				October 16, 2023 (affirmation of rating)	ilAA
				October 14, 2024 (affirmation of rating)	ilAA

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Shufersal Ltd.

Series	Name of rating company	Current rating and current outlook	Rating on date of issuance	Additional ratings between the original date of issuance and the date of this report	
				Date	Rating
Series E – Bonds listed for trade	Ma'alot	ilAA	ilA+ Negative	October 3, 2013 (initial rating)	ilA+ Negative
				April 23, 2014 (affirmation of rating)	ilA+ Stable
				May 6, 2015 (lowering of rating and affirmation of rating outlook)	ilA Stable
				May 26, 2016 (affirmation of rating and raising of rating outlook)	ilA Positive
				September 20, 2016 (raising of rating and raising of rating outlook)	ilA+ Stable
				November 15, 2016 (initial rating for expansion of series)	ilA+ Stable
				May 28, 2017 (affirmation of rating and raising of rating outlook)	ilA+ Positive
				January 15, 2018 (raising of rating and update of rating outlook)	ilAA- Stable
				January 21, 2018 (expansion of series)	ilAA- Stable
				March 19, 2018 (raising of rating)	ilAA
				October 6, 2019 (affirmation of rating)	ilAA
				April 5, 2020 (affirmation of rating)	ilAA
				September 24, 2020 (affirmation of rating)	ilAA
				October 3, 2021 (affirmation of rating)	ilAA
				October 3, 2022 (affirmation of rating)	ilAA
				October 16, 2023 (affirmation of rating)	ilAA
				October 14, 2024 (affirmation of rating)	ilAA

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Shufersal Ltd.

Series	Name of rating company	Current rating and current outlook	Rating on date of issuance	Additional ratings between the original date of issuance and the date of this report	
				Date	Rating
Series F – Bonds listed for trade	Ma'alot	ilAA	ilA Stable	September 2, 2015 (initial rating)	ilA Stable
				May 26, 2016 (affirmation of rating and raising of rating outlook)	ilA Positive
				July 11, 2016 (initial rating for expansion of the series)	ilA
				September 20, 2016 (raising of rating and raising of rating outlook)	ilA+ Stable
				May 28, 2017 (affirmation of rating and raising of rating outlook)	ilA+ Positive
				January 15, 2018 (raising of rating and update of rating outlook)	ilAA- Stable
				March 19, 2018 (raising of rating)	ilAA
				October 6, 2019 (affirmation of rating)	ilAA
				April 5, 2020 (affirmation of rating)	ilAA
				September 24, 2020 (affirmation of rating)	ilAA
				October 3, 2021 (affirmation of rating)	ilAA
				October 3, 2022 (affirmation of rating)	ilAA
				October 16, 2023 (affirmation of rating)	ilAA
				October 14, 2024 (affirmation of rating)	ilAA
Series G – Bonds listed for trade	Ma'alot	ilAA	ilA Stable	January 16, 2019 (initial rating)	ilAA
				October 6, 2019 (affirmation of rating)	ilAA
				April 5, 2020 (expansion of series)	ilAA
				September 24, 2020 (affirmation of rating)	ilAA
				October 3, 2021 (affirmation of rating)	ilAA
				October 3, 2022 (affirmation of rating)	ilAA
				October 16, 2023 (affirmation of rating)	ilAA
				October 14, 2024 (affirmation of rating)	ilAA

Shufersal Ltd.

6. Quarterly report of outstanding liabilities by maturity dates

For data regarding the outstanding liabilities of the Company as at September 30, 2024, see the immediate report on outstanding liabilities by maturity dates that was issued by the Company on the date of issuing the financial statements, which the information included in it is incorporated in this report by reference.

The Company's Board of Directors and Management wish to express their appreciation and thanks to the managers and employees of the Company for their professional and dedicated work and their contribution to the Company.

Erez Halfon
Chairman of the Board

Shlomo Amir
Co-CEO

Yosef Amir
Co-CEO

November 25, 2024

Part B

Condensed Consolidated Interim Financial Statements

As at September 30, 2024 (Unaudited)



Condensed Consolidated Interim Financial Statements as at September 30, 2024 (Unaudited)

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Auditor's Review Report to the Shareholders of Shufersal Ltd.

Introduction

We have reviewed the accompanying financial information of Shufersal Ltd. and subsidiaries (hereinafter - the "Company"), comprising of the condensed consolidated statement of financial position as of September 30, 2024 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine and three-month periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for the preparation of the financial information for these interim periods in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

We did not review the condensed interim financial information of a consolidated subsidiary whose assets included in consolidation constitute approximately 2.7% of total consolidated assets as of September 30, 2024, and whose revenues included in consolidation constitute approximately 0.3% of total consolidated revenues for the nine and three month periods then ended. Furthermore, we did not review the condensed interim financial information of an equity accounted company that the Group's share in its losses amounted to approximately NIS 18 million for the nine-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports thereon were furnished to us and our conclusion, insofar as it relates to the financial information of those companies, is based solely on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports) 1970.

Tel Aviv, Israel
November 25, 2024

Kesselman & Kesselman
Certified Public Accountants (Isr.)
Member Firm of PricewaterhouseCoopers International
Limited

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Condensed Consolidated Interim Statements of Financial Position

	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	1,226	810	683
Short-term deposits	961	640	459
Trade receivables	1,258	1,092	997
Other receivables	203	212	214
Inventory	1,043	1,063	992
Total current assets	4,691	3,817	3,345
Investment in associate	-	53	44
Capital notes of associate	-	62	62
Receivables and debit balances	142	120	117
Other investments	29	29	29
Property, plant and equipment	3,417	3,553	3,623
Investment property	1,568	1,461	1,515
Intangible assets	1,540	1,519	1,545
Right-of-use assets	4,351	4,502	4,482
Deferred taxes	155	163	151
Total non-current assets	11,202	11,462	11,568
Total assets	15,893	15,279	14,913

Signed on behalf of the Board of Directors:

_____	Chairman of the Board
Erez Halfon	
_____	Co-CEO
Shlomo Amir	
_____	Co-CEO
Yosef Amir	
_____	CFO
Gil Weiss	

Date of approval: November 25, 2024

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

Condensed Consolidated Interim Statements of Financial Position

	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Liabilities			
Current maturities of liabilities to banks	11	9	9
Current maturities of bonds	371	358	309
Current maturities of lease liabilities	445	421	434
Trade payables	2,637	2,302	2,297
Other payables	1,752	1,484	1,270
Provisions	58	65	71
Total current liabilities	5,274	4,639	4,390
Liabilities to banks	134	83	138
Bonds	1,877	2,163	1,911
Lease liabilities	4,106	4,286	4,228
Employee benefits, net	249	254	259
Other liabilities	149	226	213
Deferred taxes	220	192	206
Total non-current liabilities	6,735	7,204	6,955
Equity			
Share capital	245	245	245
Share premium	1,649	1,649	1,649
Reserves	76	79	78
Treasury shares	(85)	(85)	(85)
Retained earnings	1,898	1,451	1,582
Total equity attributable to owners of the Company	3,783	3,339	3,469
Non-controlling interests	101	97	99
Total equity	3,884	3,436	3,568
Total liabilities and equity	15,893	15,279	14,913

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

Condensed Consolidated Interim Statements of Income

	Nine months ended		Three months ended		Year ended
	September 30 2024	September 30 2023	September 30 2024	September 30 2023	December 31 2023
	Unaudited NIS millions	Unaudited NIS millions	Unaudited NIS millions	Unaudited NIS millions	Audited NIS millions
Revenues	11,882	11,277	4,100	3,854	15,183
Cost of revenues	8,549	8,281	2,932	2,844	11,156
Gross profit	3,333	2,996	1,168	1,010	4,027
Selling and marketing expenses	2,475	2,360	853	809	3,168
General and administrative expenses	165	195	49	63	254
Total selling, marketing, general and administrative expenses	2,640	2,555	902	872	3,422
Operating profit before other income (expenses)	693	441	266	138	605
Increase in fair value of investment property, net	33	34	10	-	57
Other income (expenses), net	74	(12)	54	1	45
Total other income, net	107	22	64	1	102
Operating profit after other income (expenses), net	800	463	330	139	707
Financing expenses	(246)	(232)	(88)	(78)	(310)
Financing income	83	67	33	21	88
Financing expenses, net	(163)	(165)	(55)	(57)	(222)
Share in losses of associate	(18)	(33)	-	(10)	(42)
Profit before taxes on income	619	265	275	72	443
Taxes on income	(123)	(75)	(37)	(21)	(120)
Profit for the period	496	190	238	51	323
Profit attributable to:					
Owners of the Company	490	180	237	50	312
Non-controlling interests	6	10	1	1	11
Profit for the period	496	190	238	51	323
Basic and diluted earnings per share (in NIS)	1.84	0.68	0.89	0.19	1.17

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Nine months ended		Three months ended		Year ended
	September 30	September 30	September 30	September 30	December 31
	2024	2023	2024	2023	2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period	496	190	238	51	323
Other comprehensive income (loss) that after initial recognition in comprehensive income was or will be transferred to profit or loss					
Effective portion of the change in fair value of cash flow hedges	(1)	(2)	*-	(1)	(3)
Net change in fair value included in cost of hedging reserve	*-	*-	-	-	*-
Taxes on other comprehensive income items that were initially recognized in comprehensive income and will be transferred to profit or loss	*-	*-	*-	*-	1
Total other comprehensive income (loss) for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax	(1)	(2)	*-	(1)	(2)
Other comprehensive income (loss) items that will not be transferred to profit or loss					
Remeasurement of defined benefit plan	12	*-	-	7	(5)
Revaluation reserve for property, plant and equipment classified as investment property	(2)	16	-	-	16
Taxes on other comprehensive income items that will not be transferred to profit or loss	(2)	(4)	-	(2)	(3)
Total other comprehensive income for the period that will not be transferred to profit or loss, net of tax	8	12	-	5	8
Other comprehensive income for the period, net of tax	7	10	*-	4	6
Total comprehensive income for the period	503	200	238	55	329

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	Nine months ended		Three months ended		Year ended
	September 30	September 30	September 30	September 30	December 31
	2024	2023	2024	2023	2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Total comprehensive income attributable to:					
Owners of the Company	497	190	237	54	318
Non-controlling interests	6	10	1	1	11
Total comprehensive income for the period	503	200	238	55	329

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the nine months ended								
September 30, 2024 (unaudited)								
Balance as at January 1, 2024	245	1,649	78	(85)	1,582	3,469	99	3,568
Share based payment	-	-	-	-	(3)	(3)	(4)	(7)
Vesting of restricted shares granted to employees	*_	*_	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	(180)	(180)	-	(180)
Profit for the period	-	-	-	-	490	490	6	496
Other comprehensive income for the period, net of tax	-	-	(2)	-	9	7	-	7
Balance as at September 30, 2024	<u>245</u>	<u>1,649</u>	<u>76</u>	<u>(85)</u>	<u>1,898</u>	<u>3,783</u>	<u>101</u>	<u>3,884</u>
For the nine months ended								
September 30, 2023 (unaudited)								
Balance as at January 1, 2023	245	1,649	69	(85)	1,257	3,135	84	3,219
Share based payment	-	-	-	-	14	14	3	17
Vesting of restricted shares granted to employees	*_	*_	-	-	-	-	-	-
Hedging gains and losses and cost of hedging that were transferred to cost of property, plant and equipment	-	-	*_	-	-	*_	-	*_
Profit for the period	-	-	-	-	180	180	10	190
Other comprehensive income for the period, net of tax	-	-	10	-	-	10	-	10
Balance as at September 30, 2023	<u>245</u>	<u>1,649</u>	<u>79</u>	<u>(85)</u>	<u>1,451</u>	<u>3,339</u>	<u>97</u>	<u>3,436</u>

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the three months ended								
September 30, 2024 (unaudited)								
Balance as at July 1, 2024	245	1,649	76	(85)	1,659	3,544	100	3,644
Share based payment	-	-	-	-	2	2	-	2
Loss for the period	-	-	-	-	237	237	1	238
Other comprehensive income for the period, net of tax	-	-	*_	-	-	*_	-	*_
Balance as at September 30, 2024	245	1,649	76	(85)	1,898	3,783	101	3,884
For the three months ended								
September 30, 2023 (unaudited)								
Balance as at July 1, 2023	245	1,649	80	(85)	1,391	3,280	95	3,375
Share based payment	-	-	-	-	5	5	1	6
Profit for the period	-	-	-	-	50	50	1	51
Other comprehensive income (loss) for the period, net of tax	-	-	(1)	-	5	4	-	4
Balance as at September 30, 2023	245	1,649	79	(85)	1,451	3,339	97	3,436

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the year ended December 31, 2023 (audited)								
Balance as at January 1, 2023	245	1,649	69	(85)	1,257	3,135	84	3,219
Share based payment	-	-	-	-	17	17	4	21
Vesting of restricted shares granted to employees	*-	*-	-	-	-	-	-	-
Hedging gains and losses and cost of hedging that were transferred to cost of property, plant and equipment	-	-	(1)	-	-	(1)	-	(1)
Profit for the year	-	-	-	-	312	312	11	323
Other comprehensive income (loss) for the year	-	-	10	-	(4)	6	-	6
Balance as at December 31, 2023	245	1,649	78	(85)	1,582	3,469	99	3,568

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statements of Cash Flows

	Nine months ended		Three months ended		Year ended
	September 30	September 30	September 30	September 30	December 31
	2024	2023	2024	2023	2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from operating activities					
Profit for the period	496	190	238	51	323
Adjustments for:					
Depreciation of property, plant and equipment	339	316	115	109	426
Amortization of right-of-use assets	354	321	125	111	450
Amortization of intangible assets	67	67	22	23	91
Taxes on income included in income statements	123	75	37	21	120
Income taxes paid, net	(33)	(95)	(22)	(18)	(120)
Financing expenses, net	163	165	55	57	222
Share in losses of associate	18	33	-	10	42
Increase in fair value of investment property, net	(33)	(34)	(10)	-	(57)
Change in employee benefits	(10)	(12)	(5)	(2)	(15)
Loss (gain) on sale of non-financial assets	(24)	(1)	(6)	-	1
Changes in estimates in respect of non-financial assets	(6)	10	(4)	(1)	(43)
Share-based payment	(7)	17	2	6	21
Gain from sale of associate*	(44)	-	(44)	-	-
Change in trade receivables	(261)	388	(232)	450	483
Change in other receivables	9	(2)	1	7	(5)
Change in inventory	(51)	(131)	(56)	(25)	(73)
Change in trade payables	390	48	291	165	30
Change in other payables, provisions and other	417	283	319	235	53
Net cash from operating activities	1,907	1,638	826	1,199	1,949

* See Note 5.G. hereunder

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

Condensed Consolidated Interim Statements of Cash Flows

	Nine months ended		Three months ended		Year ended
	September 30	September 30	September 30	September 30	December 31
	2024	2023	2024	2023	2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows used in investing activities					
Purchase of property, plant and equipment	(200)	(368)	(51)	(94)	(528)
Proceeds from sale of property, plant and equipment	5	7	2	1	7
Investment in intangible assets	(76)	(64)	(18)	(16)	(92)
Business combinations, net of cash acquired	-	(8)	-	-	(8)
Investment in investment property	(5)	(5)	-	(2)	(34)
Consideration from sale of associate*	78	-	78	-	-
Change in cash in respect of futures contracts, net	2	29	2	9	34
Investment in associate	(18)	(39)	-	(18)	(39)
Investment in deposits, net	(500)	(544)	(409)	(550)	(354)
Interest received	44	24	18	9	34
Net cash used in investing activities	(670)	(968)	(378)	(661)	(980)

* See Note 5.G. hereunder

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

Condensed Consolidated Interim Statements of Cash Flows

	Nine months ended		Three months ended		Year ended
	September 30	September 30	September 30	September 30	December 31
	2024	2023	2024	2023	2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from financing activities					
Repayment of bonds	(34)	(34)	(17)	(17)	(283)
Interest paid	(32)	(34)	(16)	(17)	(109)
Repayment of lease liabilities principal and interest	(441)	(411)	(147)	(142)	(568)
Exercise of option to acquire rights in subsidiary	-	(6)	-	-	(8)
Dividend paid	(180)	-	-	-	-
Proceeds in respect of hedging transactions	-	-	-	-	3
Receipt of loans from banks	-	-	-	-	57
Repayment of principal of loans from banks and others	(7)	(6)	(2)	(2)	(9)
Net cash used in financing activities	(694)	(491)	(182)	(178)	(917)
Change in cash and cash equivalents	543	179	266	360	52
Cash and cash equivalents at the beginning of the period	683	631	960	450	631
Cash and cash equivalents at the end of the period	1,226	810	1,226	810	683

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

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 1 - General

The 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 Benjamin Shmotkin Street, Rishon-Le-Zion. The condensed consolidated interim financial statements of the Group as at September 30, 2024 comprise the Company, its subsidiaries (hereinafter together – “the Group”) and the Company’s rights in an associate company and in joint arrangements. The Company is a company without a controlling shareholder, as the term “control” is defined in the Securities Law, 1968. The Group is involved in three areas of activity: [1] Retail activity – marketing and selling of food and other products to private customers, businesses, retailers and institutional entities by means of operating physical stores and online; management of a customer loyalty program (also by means of managing a credit card loyalty program), the manufacture of baked products that are sold mainly in the Company's branches and the operation of a chain of discount stores; [2] Real estate activity, by means of Shufersal Real Estate Ltd. (a wholly owned subsidiary of the Company) – upgrading and leasing out various types of real estate including commercial centers and other properties. The real estate activity includes also properties leased out to external parties and properties leased out to the Group and used in its operations; and [3] Be activity – marketing and selling pharmaceuticals, convenience and toiletry products, natural products and cosmetics by means of operating physical stores and online through the Be chain. The securities of the Company are registered for trade on the Tel Aviv Stock Exchange.

On February 29, 2024 the Company received a notice on behalf of Messrs. Yosef and Shlomo Amir, by which they had completed, by means of companies controlled by them, the acquisition of 24.99% of the Company’s share capital. Furthermore, on April 16, 2024 the Company received a letter from the representative of Messrs. Yosef and Shlomi Amir regarding a voluntary application of certain restrictions applicable to controlling shareholders of a company, further to a discussion that was held on the matter with the Securities Authority staff.

Effect of the Iron Swords war

The “Iron Swords” war broke out in Israel on October 7, 2023 and is still ongoing at the reporting date. In order to deal with the threats of the war, Israel took certain actions that included a wide scale mobilization of army reserves for long periods of time, evacuating dozens of communities located in the south of Israel, around the Gaza strip and in the north of Israel, on the border with Lebanon, temporarily or partly closing certain businesses, imposing various restrictions on civilian activity in wide areas, and more. All these have led to a certain reduction and slowdown in Israel’s economic activity and have raised the economy’s level of risk and uncertainty and led to several additional downgrades in Israel’s credit rating, the last in October 2024, when the international rating agency Moody’s lowered Israel’s credit rating, for the second time this year, from A2 to Baa1 negative outlook and the international rating agency S&P lowered Israel’s credit rating again from A+ to A negative outlook. Accordingly, also the rating of the 5 largest banks in Israel was lowered, on the backdrop of, inter alia, concerns regarding an additional deterioration in the security situation and particularly the more intense fighting between Israel and the Hizballah terrorist organization and the political instability in the country.

As at the reporting date there is no evident material effect on the Group’s operating results and no material effect on the liquidity of the Company and its investees, or on their sources of financing. In the opinion of the Company, insofar as the restrictions applicable to the Company’s operations do not increase and there is no actual deterioration in the security and/or economic situation in Israel, the effect of the war on the Company’s operations and financial results is not expected to be material.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 1 - General (cont'd)

The reporting entity (cont'd)

Since as at the date of issuing this report there is uncertainty with respect to the war developing (including all that relating to the opening of additional fronts), its extent, continuation and effects, the Company is unable to assess the future effect of the war on its operating results, financial position, cash flows, real estate assets and financial strength.

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, 2023 (hereinafter – "the annual financial statements"). 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 November 25, 2024.

B. Use of estimates and judgments

The preparation of condensed consolidated interim 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 Group's accounting policies and the principal assumptions used in the estimation of uncertainty are consistent with those applied to the annual financial statements.

C. Initial application of new standards, amendments to standards and interpretations

Amendment to IAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* and subsequent amendment: *Non-Current Liabilities with Covenants*

The Amendment, together with the subsequent amendment to IAS 1, as described hereunder, replaces certain requirements for classifying liabilities as current or non-current. According to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 2 - Basis of Preparation (cont'd)

C. Initial application of new standards, amendments to standards and interpretations (cont'd)

According to the subsequent amendment, as published in October 2022, covenants with which the entity must comply after the reporting date, do not affect classification of the liability as current or non-current. Additionally, the subsequent amendment adds disclosure requirements for liabilities subject to covenants within 12 months after the reporting date, such as disclosure regarding the nature of the covenants, the date they need to be complied with and facts and circumstances that indicate the entity may have difficulty complying with the covenants. Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity. The Amendment and subsequent amendment are effective for reporting periods beginning on or after January 1, 2024.

Application of the Amendment did not have a material effect on the financial statements.

D. New standards and amendments to standards not yet adopted

1. IFRS 18, *Presentation and Disclosure in Financial Statements*

This standard replaces IAS 1, *Presentation of Financial Statements*. The purpose of the standard is to provide improved structure and content to the financial statements, particularly the income statement. The standard includes new disclosure and presentation requirements that were taken from IAS 1, *Presentation of Financial Statements*, with small changes. As part of the new disclosure requirements, companies will be required to present two subtotals in the income statement: operating profit and profit before financing and taxes. Furthermore, for most companies, the results in the income statements will be classified into three categories: operating profit, profit from investments and profit from financing.

In addition to the changes in the structure of the income statements, the standard also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures (non-GAAP measures).

Furthermore, the standard adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes. The standard will encourage companies to avoid classifying items as 'other' (for example, other expenses), and using this classification will lead to additional disclosure requirements.

The Group is examining the effects of the standard on its financial statements.

2. IFRIC decision on disclosure of income and expenses of reportable segments

In July 2024, the IASB approved the IFRIC decision on disclosure of income and expenses of reportable segments. The IFRIC decision discusses the manner of applying the disclosure requirements prescribed in section 23 of IFRS 8, Operating Segments ("IFRS 8") and provides clarifications on the matter. The highlights of the IFRIC decision are as follows:

1. Section 23 of IFRS 8 requires entities to disclose certain specified income and expense items if they are included in the measure of segment profit or loss that is provided to the chief operating decision maker ("the CODM"), regardless of whether they are provided to the CODM separately.
2. "Material items of income and expense" that need to be disclosed pursuant to Section 23(f) of IFRS 8 are not limited to only unusual or non-recurring items.
3. Determining how much detail needs to be included in the segment reporting will be a matter of judgement considering the entity's specific facts and circumstances, the core principle of IFRS 8 (which requires the entity to disclose information that enables the users of the financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates), and the principles of materiality in IAS 1 *Presentation of financial statements* (IAS 1, section 7).

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 2 - Basis of Preparation (cont'd)

D. New standards and amendments to standards not yet adopted (cont'd)

2. IFRIC decision on disclosure of income and expenses of reportable segments (cont'd)

The Company is examining the effect of the IFRIC decision on the segment reporting in its annual 2024 financial statements.

Note 3 - Significant Accounting Policies

The Group's accounting policies in these condensed consolidated interim financial statements are the same accounting policies that were applied in the annual financial statements.

Note 4 - Seasonality

The business results and financial position of the Group's retail business segment are subject to seasonal fluctuations as a result of the consumption behavior of the population close to the holiday seasons in Israel.

Note 5 - Material Events in the Reporting Period

- A.** On February 26, 2024, Paybox Ltd. ("Paybox"), an associate of the Company, issued ordinary shares to its shareholders according to their holding rate, so that there was no change in the shareholders' holding rates. The Company was issued 70,641 ordinary shares for consideration of NIS 18 million.
- B.** On February 29, 2024 the Company received a notice on behalf of Messrs. Yosef and Shlomo Amir, by which Messrs. Yosef and Shlomo Amir had completed the acquisition, by means of companies controlled by them, of 66,389,833 ordinary shares of the Company (jointly) constituting 24.99% of the Company's share capital, from several institutional bodies. On March 4, 2024 the Company's Board of Directors, pursuant to its authority according to Regulation 77 of the Company's articles, approved the appointment of Mr. Yosef Amir, Mr. Hezi Tzaig, Prof. Yitzhak Shapira (an independent director), Mr. Erez Halfon (an independent director), Ms. Tsili Naveh (an independent director) and Mr. Moshe Weingarten as new directors in the Company until the Company's next annual shareholders' meeting. At the same time, the director Mr. Shlomo Zohar gave notice of ending his term as a director in the Company.

On March 4, 2024 the Company's Board of Directors approved the appointment of Mr. Yosef Amir as the Company's chairman of the board which was expected to come into effect when the Company's chairman at the time of the decision, Mr. Itzik Abercohen, retires on the date of the next shareholders' meeting convened by the Company or on April 11, 2024 (whichever earlier). Furthermore, the Board of Directors approved the appointment of Mr. Shlomo Amir as the Company's CEO, which was expected to come into effect when the Company's CEO at the time of the decision, Mr. Ori Watermann, retires on the date of the shareholders' meeting convened by the Company and subject to its approval.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

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

B. (cont'd)

After further consideration, in its meeting on April 7, 2024 the Company's Board of Directors decided to cancel the meeting it had scheduled for April 10, 2024, and made the decisions described hereunder. Further to this, the chairman of the board at the time of the decision, Mr. Itzik Abercohen, announced that under the circumstances of the matter he is requesting to move up his retirement date and is resigning effective immediately from his position as a director and as the Company's chairman of the board. Furthermore, the Company's CEO on the date of the decision, Mr. Ori Watermann, notified the Board of Directors that he is ending his term as the Company's CEO effective immediately. Further to the aforesaid and the notice of the Company's chairman of the board and CEO at the time of the decision regarding the conclusion of their term, the Company's Board of Directors has acted to appoint a new chairman of the board and CEO, as required in the Companies Law – 1999 ("the Companies Law"). In this framework the Company's Board of Directors decided to appoint Prof. Yitzhak Shapira, who serves as an independent director in the Company, to act as the Company's chairman of the board, from the date of the Board of Directors' decision.

Furthermore, the Company's Board of Directors made a new decision to appoint Messrs. Yosef Amir and Shlomo Amir as co-CEOs in the Company beginning from the date of the Board of Directors' meeting. See Note 9.A hereunder regarding the approval of their terms of service subsequent to the reporting period.

On April 16, 2024 the Company received a letter from the representative of Messrs. Yosef and Shlomo Amir regarding a voluntary application of certain restrictions applicable to controlling shareholders of a company, further to a discussion that was held on the matter with the Securities Authority staff.

It is noted that on May 2, 2024 Prof. Yitzhak Shapira gave notice of resignation from his service as the Company's chairman of the board for reasons that do not require being made known to the public, and that he is continuing to serve as a director in the Company. On June 30, 2024 the Company's Board of Directors decided to appoint Mr. Erez Halfon, who serves as an independent director in the Company, as the temporary chairman of the board, until the appointment of a permanent chairman of the board.

It is also noted that further to the confirmation and approval in their meetings on May 8, 2024 and May 27, 2024, of the retirement terms of Messrs. Itzik Abercohen and Ori Watermann by the Company's compensation committee and Board of Directors, respectively, on May 28, 2024 the Company issued a meeting convening report for a special general meeting that on its agenda will be, inter alia, approval of the retirement terms as aforesaid. Further to talks the Company held with its shareholders, on July 15, 2024 the Company issued an amended meeting convening report in which it lowered the amount of the retirement grant offered to Messrs. Itzik Abercohen, the former chairman of the board, and Ori Watermann, the former CEO of the Company. On July 28, 2024 the general meeting of the Company's shareholders convened and decided to not approve the aforesaid retirement terms.

On September 1, 2024 the Company's annual shareholders' meeting decided, inter alia, to approve the appointment of Mr. Erez Halfon (chairman of the board, independent director), Mr. Yosef Amir, Mr. Hezi Tzaig, Ms. Michal Arlosoroff (independent director), Mr. Moshe Attias (independent director), Prof. Yitzhak Shapira (independent director), Ms. Tsili Naveh (who was classified as an independent director) and Mr. Moshe Weingarten as directors in the Company for an additional term that will end on the date of the Company's next annual shareholders' meeting. On the same date, the directors Mr. Ilan Ron and Mr. Ron Hadassi concluded their term as directors in the Company.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

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

- C. On March 26, 2024, the Company's Board of Directors decided to distribute a dividend in the amount of NIS 180 million. The dividend was paid on May 1, 2024 to the shareholders on record as at April 4, 2024.
- D. Further to that mentioned in Note 28.F(4) to the annual financial statements regarding a deductions audit of the tax authority, on March 28, 2024 the Company received deductions assessments for the years 2018-2021, by which the Company is required to pay an amount of NIS 31 million (including interest, linkage differences and penalties as required in the law at the date of the assessments). It is noted that the Company disagrees with the position of the tax authority and believes, inter alia, on the basis of the opinion of its professional advisors, that it has good arguments against the position of the tax authority and therefore it plans to submit an objection to the assessments. In the opinion of the Company and based on the opinion of its professional advisors a sufficient provision is included in the financial statements in respect of the assessments.
- E. On May 27, 2024 the Company's Board of Directors, after receiving the approval of the compensation committee, approved an allotment of 391,676 share options of the Company (unlisted) and 64,094 restricted share units (RSU) to two officers. The options are exercisable into up to 391,676 ordinary shares of the Company of NIS 0.1 par value each, at an exercise price of NIS 24.82 per share (the exercise price will be dividend adjusted). The options and RSUs are offered under the terms of the Company's equity compensation plan, the Company's compensation policy and the provisions of the capital gains track prescribed in Section 102(B)(2) of the Income Tax Ordinance, and will be deposited with a trustee for the periods prescribed in Section 102 of the Ordinance. The options and RSUs were granted for no consideration. The aforesaid share options and RSUs were allotted on July 1, 2024. The grant date value of the options and RSUs was estimated to amount to NIS 4 million.
- F. On June 5, 2024 Ms. Ayelet Tzur, the Group's CFO, gave notice that she is concluding her term, which was concluded de facto on August 31, 2024. Mr. Gil Weiss began his term as the Group's CFO on September 1, 2024.
- G. On June 16, 2024, the Company and Israel Discount Bank Ltd. (hereinafter – "the bank"), which holds about 50.1% of the share capital of the associate company Paybox, entered into a sale agreement, by which the bank will acquire all the Company's holdings and rights in Paybox, including the capital notes and subordinated liability certificates it had granted it, for a total consideration of NIS 78 million (including linkage to the CPI of June 16, 2024, the date of signing the sale agreement, until the date of completing the transaction). The transaction was completed on September 17, 2024, further to the suspensive conditions being met, and on that date the collaboration agreement that had been signed between the bank and the Company with respect to the activity of Paybox expired. As a result of the aforesaid, the Company recognized a pre-tax gain in the amount of NIS 44 million in the third quarter of 2024, which was classified within other income (expenses), net.
- H. See Note 7 hereunder for updates on material developments in legal claims and proceedings in the reporting period.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 6 - Segment Reporting

The basis of segmentation and the measurement basis for the segment profit or loss are the same as that presented in Note 31, Segment Reporting, in the annual financial statements.

Information regarding the operations of the reportable segments is presented hereunder:

For the nine months ended September 30, 2024 (unaudited):

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Total external revenues	10,952	87	843	-	11,882
Inter-segment revenues	-	113	9	(122)	-
Segment revenues	10,952	200	852	(122)	11,882
Operating profit before other income	576	158	11	(21)	693
Other income, net	27	90	3	(13)	107
Operating profit after other income	603	248	14	(34)	800
Financing expenses					(246)
Financing income					83
Share in losses of associate					(18)
Taxes on income					(123)
Profit for the period					496

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 6 - Segment Reporting (cont'd)

For the nine months ended September 30, 2023 (unaudited)*:

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Total external revenues	10,429	80	768	-	11,277
Inter-segment revenues	-	108	9	(117)	-
Segment revenues	10,429	188	777	(117)	11,277
Operating profit before other income (expenses)	337	144	12	(52)	441
Other income (expenses), net	(11)	55	-	(22)	22
Operating profit after other income (expenses)	326	199	12	(74)	463
Financing expenses					(232)
Financing income					67
Share in losses of associate					(33)
Taxes on income					(75)
Profit for the period					190

* Reclassified following that mentioned in Note 31 to the annual financial statements regarding inclusion of the effect of IFRS 16 in segment results.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 6 - Segment Reporting (cont'd)

For the three months ended September 30, 2024 (unaudited):

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Total external revenues	3,782	31	287	-	4,100
Inter-segment revenues	-	38	3	(41)	-
Segment revenues	3,782	69	290	(41)	4,100
Operating profit before other income	232	52	1	(19)	266
Other income, net	9	42	1	12	64
Operating profit after other income	241	94	2	(7)	330
Financing expenses					(88)
Financing income					33
Taxes on income					(37)
Profit for the period					238

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 6 - Segment Reporting (cont'd)

For the three months ended September 30, 2023 (unaudited)*:

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Total external revenues	3,559	28	267	-	3,854
Inter-segment revenues	-	36	3	(39)	-
Segment revenues	<u>3,559</u>	<u>64</u>	<u>270</u>	<u>(39)</u>	<u>3,854</u>
Operating profit before other income	103	48	4	(17)	138
Other income, net	1	-	-	-	1
Operating profit after other income	<u>104</u>	<u>48</u>	<u>4</u>	<u>(17)</u>	<u>139</u>
Financing expenses					(78)
Financing income					21
Share in losses of associate					(10)
Taxes on income					<u>(21)</u>
Profit for the period					<u><u>51</u></u>

* Reclassified following that mentioned in Note 31 to the annual financial statements regarding inclusion of the effect of IFRS 16 in segment results.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 6 - Segment Reporting (cont'd)

For the year ended December 31, 2023 (audited):

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	14,054	105	1,024	-	15,183
Inter-segment revenues	-	145	12	(157)	-
Total Segment revenues	<u>14,054</u>	<u>250</u>	<u>1,036</u>	<u>(157)</u>	<u>15,183</u>
Depreciation and amortization	<u>954</u>	<u>1</u>	<u>85</u>	<u>(73)</u>	<u>967</u>
Operating profit before other income (expenses)	471	187	17	(70)	605
Other income, net	<u>48</u>	<u>118</u>	<u>1</u>	<u>(65)</u>	<u>102</u>
Operating profit after other income (expenses)	<u>519</u>	<u>305</u>	<u>18</u>	<u>(135)</u>	<u>707</u>
Financing expenses					(310)
Financing income					88
Share in losses of associate					(42)
Taxes on income					<u>(120)</u>
Profit for the year					<u><u>323</u></u>

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024**Note 7 - Claims and Legal Proceedings**

In the ordinary course of business, various legal claims have been filed or are pending against the Group companies (hereinafter in this section: “legal claims”).

In the opinion of the managements of Group companies, which is based on, inter alia, legal opinions regarding the chances of the legal claims, adequate provisions have been included in the financial statements, where such provisions are required, for covering the exposure from such legal claims.

Motions to certify claims as class actions that do not indicate the precise amount of the claim are pending against the Group and in their respect the Group has an additional exposure.

A. 1. Presented hereunder is a description of the Group's contingent liabilities in effect as at September 30, 2024, classified into groups having similar characteristics:

Lawsuit category	Nature of claims	Number of claims	Total amount claimed	Balance of provision
			NIS millions	
Class actions	Mainly motions to certify class actions that allege illegal collection of funds and damages from services or products provided by Group companies.	47	^{(2),(1)} 377	25
Employee claims	Mainly legal claims of present and former employees of the Company involving labor laws including demands to include various salary components in the calculation of various payments to the Company's employees.	57	9	1
Supplier-customer, authorities and general	Legal claims involving commercial disputes with suppliers of services and/or products and legal proceedings on the part of the State, government bodies and State authorities including in respect of proceedings concerning regulation applicable to the Company and various monetary disputes concerning the Company's payments to authorities.	29	82	5
Customer claims for damages	Claims for damages that are handled by the insurance companies.	583	36	⁽³⁾ 27
Total		716	504	58

- (1) Including claims against the Company and other defendants in the amount of NIS 30 million in which the amount claimed from the Company is not specified.
- (2) Including claims in the amount of NIS 246 million that their chances cannot be assessed as yet.
- (3) Against the balance of the provision the Company has an indemnification asset in the amount of NIS 14 million within other receivables.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024**Note 7 - Claims and Legal Proceedings (cont'd)****A. (cont'd)**

2. Presented hereunder is a breakdown of the number and amounts of the Group's contingent liabilities in effect as at September 30, 2024, according to the amount of the claim:

Amount of claim	Number of claims	Total amount claimed (NIS millions)
Up to NIS 100 million	*666	*363
From NIS 100 million to NIS 500 million	1	104
Claims against the Company that do not specify an amount claimed	18	-
Claims against the Company and other defendants that do not specify the amount claimed	11	-
Claims against the Company and other defendants together in which the amount claimed from the Company is not specified	20	37
Total	716	504

* As at September 30, 2024, there are 583 claims of customers for damages in the total amount of NIS 36 million.

B. Information on material developments in legal proceedings in the reporting period

- During the period, 10 motions to certify claims as class actions have been filed against Group companies, three of which amount to NIS 11 million and the others do not indicate the specific amount of the claim or at all. On the other hand, 19 motions to certify class actions against Group companies in the total amount of NIS 1,038 million have been rejected and dismissed with the approval of the court.
- During the period 7 motions to certify class actions have been filed against the Company and other defendants, two of which amount to NIS 28 million and the others do not specify the amount claimed or at all. On the other hand, 2 motions to certify class actions against the Company and other defendants that do not specify the amount claimed or at all, have been rejected and dismissed with the approval of the court.

The chances of the claims cannot be assessed at this early stage.

- On April 30, 2024 the Company received a claim and motion to certify the claim as a class action that was filed with the Central Region District Court, against Messrs. Shlomo and Yosef Amir, the companies The Amir Brothers – Shlomi (2024) Ltd. and The Amir Brothers – Yossi (2024) Ltd. as well as against the Company, as a formal respondent. The motion for certification alleges that the respondents acquired a controlling block and control in the Company without executing a tender offer by law contrary to Section 328 of the Companies Law, conducted the Company's affairs with unfair prejudice of the public shareholders and breach of the duty of good faith, and that the respondents received unjust enrichment on account of the members of the represented class. In the motion for certification the court is requested, inter alia, to award to the class members monetary compensation for their damages that in the motion are estimated at NIS 232 million. The chances of the claim cannot be assessed at this early stage and in any event the Company is merely a formal respondent in this proceeding.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024**Note 7 - Claims and Legal Proceedings (cont'd)****C. Claims of employees, subcontractors, suppliers, authorities and others**

In the ordinary course of business, various claims have been filed against the Company by employees, subcontractors, suppliers, authorities and others, which deal mostly in claims for breach of provisions of the law governing termination of employment and obligatory payments to employees, claims for breach of agreements and compulsory payments to authorities. As at September 30, 2024, the amount that is claimed from the Company under the said claims totals NIS 85 million.

D. Information on claims subsequent to the reporting date

Two claims in the amount of NIS 9 million were filed against the Company by two of its suppliers. The chances of the claim cannot be assessed at this early stage.

Note 8 - Financial Instruments**Financial instruments measured at fair value for disclosure purposes only**

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, short-term deposits, trade receivables, other receivables, trade and other payables, and liabilities to banks are the same or proximate to their fair value. The fair value of the bonds and their carrying amount as presented in the statements of financial position are as follows:

	As at September 30, 2024		As at September 30, 2023		As at December 31, 2023	
	Carrying amount	Fair Value*	Carrying amount	Fair Value*	Carrying amount	Fair Value*
	Unaudited		Unaudited		Audited	
	NIS millions		NIS millions		NIS millions	
Bonds (including accrued interest) **	(2,248)	(2,153)	(2,521)	(2,409)	(2,220)	(2,228)

* The fair value of the bonds and debt instruments at amortized cost is their value on the stock exchange (level 1).

** The Company undertook to comply with financial covenants in the framework of the Series D, E, F and G bonds. See Note 17 to the annual financial statements. As at September 30, 2024 the Company is in compliance with all the financial covenants.

Fair value hierarchy of financial instruments measured at fair value

The table hereunder presents the financial assets that are measured at fair value, using a valuation method. The various levels are defined as follows:

Level 1: fair value measured by quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measured by inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: fair value measured by inputs that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024**Note 8 - Financial Instruments (cont'd)**

	As at September 30, 2024				As at September 30, 2023				As at December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	NIS millions				NIS millions				NIS millions			
	Unaudited				Unaudited				Audited			
Financial assets												
Interest SWAP	-	61	-	61	-	57	-	57	-	52	-	52
Forward		4	-	4	-	8	-	8	-	-	-	-
Investment in shares*	-	-	29	29	-	-	29	29	-	-	29	29
	-	65	29	94	-	65	29	94	-	52	29	81
Financial liabilities												
Contingent consideration	-	-	(103)	(103)	-	-	(92)	(92)	-	-	(95)	(95)
Forward	-	-	-	-	-	-	-	-	-	(1)	-	(1)
	-	-	(103)	(103)	-	-	(92)	(92)	-	(1)	(95)	(96)
	-	65	(74)	(9)	-	65	(63)	2	-	51	(66)	(15)

* An investment in non-marketable shares of Shopic Technologies Ltd. which is accounted for as a financial asset measured at fair value through profit or loss.

Note 9 - Material Events Subsequent to the Reporting Period

- A. On November 3, 2024, subsequent to the approval of the Company's compensation committee and Board of Directors on September 24, 2024 and September 26, 2024, respectively, a special shareholders' meeting of the Company decided to approve the terms of service of Mr. Yosef Amir and Mr. Shlomo Amir as co-CEOs in the Company for a period of three years beginning from April 7, 2024.

The main terms of service of Mr. Yosef Amir and Mr. Shlomo Amir, for each one separately, are as follows: (1) Fixed compensation: Monthly management fees, for each one, in the amount of NIS 250,000, against an invoice and plus VAT as required by law, in effect from the day they were appointed as co-CEOs in the Company, i.e. April 7, 2024. The management fees also include payment for a vehicle for each one of them. The monthly payment will be linked to the rise in the CPI compared to the index of March 2024; (2) Variable compensation: An annual bonus derived from the Company's net profit, before tax, net of expenses in respect of a streamlining plan and net of the change in fair value of investment property ("the profit"), with a ceiling no higher than NIS 4,000,000 per year, for each one of them, as indicated hereunder:

"Profit" bracket as defined above	Rate of variable compensation	Total bracket compensation	Total cumulative compensation
Up to NIS 100,000,000	0.25%	NIS 250,000*	NIS 250,000*
NIS 100,000,001 to NIS 200,000,000	0.50%	NIS 500,000*	NIS 750,000*
NIS 200,000,001 to NIS 300,000,000	0.75%	NIS 750,000	NIS 1,500,000
NIS 300,000,001 to NIS 400,000,000	0.75%	NIS 750,000	NIS 2,250,000
NIS 400,000,001 to NIS 500,000,000	0.75%	NIS 750,000	NIS 3,000,000
NIS 500,000,001 to NIS 600,000,000	1%	NIS 1,000,000	NIS 4,000,000

* The variable compensation will be paid only in a year that the "profit" as defined above is at least NIS 200,000,000.

Notes to the Condensed Consolidated Interim Financial Statements as at September 30, 2024

Note 9 - Material Events Subsequent to the Reporting Period (cont'd)**A.** (cont'd)

- (3) Related benefits: Customary related benefits, including reimbursement of subsistence and hospitality expenses as customary in the Company, against an invoice/report, 22 annual days of vacation per year and 21 days of sick leave per year; (4) Release, insurance and indemnification: Officers' insurance and release and indemnification letters as customary in the Company, pursuant to that set forth in the compensation policy and the decision of the general shareholders' meeting on July 28, 2024; (5) Advance notice period: The service agreements with each of Messrs. Yosef and Shlomo Amir will be for an indefinite period (subject to approvals from time to time as required by law) and may be terminated by each one of the parties by providing an advance notice of six months, over which Messrs. Yosef and Shlomo Amir will be entitled to all their terms of service and employment; (6) Adaptation period: Six months of adaptation over which Messrs. Yosef and Shlomo Amir will be entitled to all their terms of service and employment.

The effect of the employment terms, approved as described above, will be reflected in the fourth quarter of 2024.

- B.** Further to that mentioned in Note 11.E.(4) to the annual financial statements regarding an agreement that was signed between Shufersal Real Estate, a wholly owned subsidiary, and the partner in property (who is an interested party in the Company by virtue of the shares it holds in the Company) in the Romema neighborhood in Jerusalem, by which the partner may exercise the tag along right it presently has according to the co-ownership agreement, on October 10, 2024 the partner advised that it will not exercise the aforesaid tag along right.
- C.** Further to that mentioned in Note 5.C.(3) to the annual financial statements, with respect to an agreement that was signed between the Company and the shareholders of "Dan Deal Group", on November 5, 2024 the Company received a letter on behalf of the shareholders of "Dan Deal Group" in which the shareholders of "Dan Deal Group" allege that the Company is not meeting its liabilities pursuant to the agreement as, inter alia, according to them the Company did not and is not making all reasonable efforts for maximizing the performance of Shufersal Stock, which according to them causes damage to Shufersal Stock. According to the shareholders of "Dan Deal Group" the Company's liabilities pursuant to the agreement were at the heart of the parties' agreements to split the transaction consideration and postpone a significant part of it to after the end of 2026.
- D.** See Note 7.D for updates on material developments in legal claims subsequent to the reporting period.

Part C

Condensed Separate Interim Financial Information

As at September 30, 2024 (Unaudited)

2024

Condensed Separate Interim Financial Information as at September 30, 2024 (Unaudited)

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To:
The Shareholders of
Shufersal Ltd.

Rishon LeZion

Dears Sirs and Madams,

Re: Special report on the review of separate interim financial information in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970 of Shufersal Ltd. (hereinafter – "the Company") as of September 30, 2024 and for the nine and three-month periods then ended. The Company's Board of Directors and management are responsible for the preparation and presentation of this separate interim financial information in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on the separate interim financial information for these interim periods based on our review.

We did not review the separate interim financial information of investee companies that the Company's share in their net total assets less total liabilities amounted to NIS 138 million as of September 30, 2024 and the Company's share in the net profits (losses) of these investee companies amounted to NIS (9) million and NIS 1 million for the nine and three-month periods then ended, respectively. The financial statements of those companies were reviewed by other auditors, whose review reports have been furnished to us and our conclusion, insofar as it relates to the financial statements of those companies, is based on the reports of the other auditors.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel. A review of separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv, Israel
November 25, 2024

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Condensed Interim Information on the Financial Position

	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	1,196	782	663
Short-term deposits	961	640	459
Trade receivables	1,154	978	881
Investee companies	135	146	147
Other receivables	132	167	163
Inventory	979	982	931
Total current assets	4,557	3,695	3,244
Other investments	29	29	29
Other receivables	142	120	117
Investments in investee companies	2,067	1,952	2,014
Bonds from consolidated company	203	238	195
Investee companies	117	142	155
Capital notes from investee companies	190	246	248
Property, plant and equipment	2,389	2,575	2,557
Right-of-use assets	4,012	4,163	4,130
Intangible assets	1,367	1,349	1,366
Deferred taxes	155	163	150
Total non-current assets	10,671	10,977	10,961
Total assets	15,228	14,672	14,205

Signed on behalf of the Board of Directors:

_____	Chairman of the Board
Erez Halfon	
_____	Co-CEO
Shlomo Amir	
_____	Co-CEO
Yosef Amir	
_____	CFO
Gil Weiss	

Date of approval of the separate financial information: November 25, 2024

The accompanying additional information is an integral part of the condensed separate interim financial information.

Condensed Interim Information on the Financial Position

	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Liabilities			
Capital notes to investee companies	65	65	65
Current maturities of bonds	371	358	309
Current maturities of lease liabilities	431	411	422
Trade payables	2,436	2,133	2,117
Investee companies	250	171	167
Other payables	1,681	1,422	1,205
Provisions	45	53	59
Total current liabilities	5,279	4,613	4,344
 Bonds	 1,877	 2,163	 1,911
Lease liabilities	4,025	4,202	4,136
Employee benefits, net	241	246	251
Other liabilities	23	109	94
Total non-current liabilities	6,166	6,720	6,392
 Equity			
Share capital	245	245	245
Share premium	1,649	1,649	1,649
Reserves	76	79	78
Treasury shares	(85)	(85)	(85)
Retained earnings	1,898	1,451	1,582
 Total equity	3,783	3,339	3,469
 Total liabilities and equity	15,228	14,672	14,205

The accompanying additional information is an integral part of the condensed separate interim financial information.

Condensed Interim Information on Income

	Nine months ended		Three months ended		Year ended
	September 30 2024	September 30 2023	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues	11,443	10,882	3,953	3,719	14,646
Cost of revenues	8,289	8,047	2,844	2,758	10,831
Gross profit	3,154	2,835	1,109	961	3,815
Selling and marketing expenses	2,359	2,251	817	780	3,013
General and administrative expenses	158	190	47	62	246
Total selling, marketing, general and administrative expenses	2,517	2,441	864	842	3,259
Operating profit before other income (expenses)	637	394	245	119	556
Other income (expenses), net	73	(12)	53	1	45
Operating profit after other income (expenses)	710	382	298	120	601
Financing expenses	(222)	(216)	(79)	(71)	(285)
Financing income	102	89	39	26	112
Financing expenses, net	(120)	(127)	(40)	(45)	(173)
Profit (loss) from investee companies, net	22	(42)	3	(16)	(57)
Profit before taxes on income	568	213	261	59	371
Taxes on income	(78)	(33)	(24)	(9)	(59)
Profit for the period attributable to owners of the Company	490	180	237	50	312

The accompanying additional information is an integral part of the condensed separate interim financial information.

Condensed Interim Information on Comprehensive Income

	Nine months ended		Three months ended		Year ended
	September 30 2024	September 30 2023	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period attributable to owners of the Company	490	180	237	50	312
Other comprehensive income (loss) for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss					
Effective portion of the change in fair value of cash flow hedges	(1)	(2)	*-	(1)	(3)
Net change in fair value included in cost of hedging reserve	-	*-	-	-	*-
Taxes on other comprehensive income items that were or will be subsequently transferred to profit or loss	-	*-	*-	*-	1
Total other comprehensive income (loss) for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax	(1)	(2)	*-	(1)	(2)
Other comprehensive income (loss) items that will not be transferred to profit or loss					
Remeasurement of defined benefit plan	11	*-	-	6	(5)
Other comprehensive income in respect of investee companies	-	12	-	*-	12
Taxes on other comprehensive income items that will not be transferred to profit or loss	(3)	*-	-	(1)	1
Total other comprehensive income for the period that will not be transferred to profit or loss, net of tax	8	12	-	5	8
Other comprehensive income for the period	7	10	-	4	6
Total comprehensive income for the period attributable to owners of the Company	497	190	237	54	318

* Indicates an amount less than NIS 1 million.

The accompanying additional information is an integral part of the condensed separate interim financial information.

Condensed Interim Information on Cash Flows

	Nine months ended		Three months ended		Year ended
	September 30 2024	September 30 2023	September 30 2024	September 30 2023	December 31 2023
	Unaudited NIS millions	Unaudited NIS millions	Unaudited NIS millions	Unaudited NIS millions	Audited NIS millions
Cash flows from operating activities					
Profit for the period attributable to owners of the Company	490	180	237	50	312
Adjustments for:					
Depreciation of property, plant and equipment	307	283	105	98	386
Amortization of intangible assets	63	59	22	20	82
Amortization of right-of-use assets	343	310	123	106	435
Taxes on income included in income statements	78	33	24	9	59
Income taxes received (paid), net	2	(59)	(13)	(7)	(70)
Change in employee benefits	(10)	(12)	(6)	(2)	(17)
Gain on sale of non-financial assets	(24)	(1)	(6)	*-	(1)
Changes in estimates in respect of non-financial assets	(6)	10	(4)	(1)	(43)
Financing expenses, net	120	127	40	45	173
Share-based payment	(3)	14	2	5	17
Gain from sale of associate	(44)	-	(44)	-	-
Investee companies	138	32	83	42	51
Profit from investee companies	(107)	(80)	(47)	(25)	(107)
Change in trade receivables	(273)	417	(238)	452	514
Change in other receivables	20	7	(7)	8	7
Change in inventory	(48)	(120)	(49)	(24)	(69)
Change in trade payables	364	104	254	162	71
Change in other payables, provisions and other	420	277	324	238	46
Net cash from operating activities	1,830	1,581	814	1,176	1,846

*Indicates an amount less than NIS 1 million.

The accompanying additional information is an integral part of the condensed separate interim financial information.

Condensed Interim Information on Cash Flows

	Nine months ended		Three months ended		Year ended
	September 30 2024	September 30 2023	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows used in investing activities					
Purchase of property, plant and equipment	(186)	(356)	(47)	(93)	(447)
Proceeds from sale of property, plant and equipment	5	6	2	-	6
Investment in intangible assets	(76)	(59)	(16)	(15)	(92)
Consideration from sale of associate	78	-	78	-	-
Loan to investee company	-	(6)	-	-	6
Interest received	40	24	18	9	33
Capital notes from investee companies	-	(20)	-	-	(20)
Investment in deposits, net	(500)	(544)	(409)	(550)	(354)
Change in cash in respect of futures contracts, net	2	29	2	9	34
	(637)	(926)	(376)	(640)	(834)
Net cash from investing activities in respect of transactions with investee companies	12	(19)	-	(18)	(19)
Net cash used in investing activities	(625)	(945)	(376)	(658)	(853)

The accompanying additional information is an integral part of the condensed separate interim financial information.

Condensed Interim Information on Cash Flows

	Nine months ended		Three months ended		Year ended
	September 30 2024	September 30 2023	September 30 2024	September 30 2023	December 31 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from financing activities					
Repayment of principal of bonds	(34)	(34)	(17)	(17)	(283)
Repayment of principal and interest of lease liability	(431)	(401)	(147)	(138)	(555)
Exercise of option to acquire rights in subsidiary	-	(6)	-	-	(8)
Dividend paid	(180)	-	-	-	-
Payments in respect of hedging transactions	-	-	-	-	3
Interest paid	(27)	(32)	(13)	(15)	(106)
Net cash used in financing activities	(672)	(473)	(177)	(170)	(949)
Change in cash and cash equivalents	533	163	261	348	44
Cash and cash equivalents at the beginning of the period	663	619	935	434	619
Cash and cash equivalents at the end of the period	1,196	782	1,196	782	663

The accompanying additional information is an integral part of the separate financial information.

Additional Information to the Condensed Separate Interim Financial Information as at September 30, 2024

Note 1 - General

Presented hereunder is financial information from the Group's condensed consolidated interim financial statements as at September 30, 2024 (hereinafter – "the consolidated financial statements"), which are issued as part of the periodic reports, and which are attributed to the Company itself (hereinafter – "condensed separate interim financial information"), and are presented in accordance with Regulation 38D (hereinafter – the Regulation) and the tenth addendum to the Securities Regulations (Periodic and Immediate Reports) – 1970 (hereinafter – "the tenth addendum") regarding condensed separate interim financial information of an entity.

The condensed separate interim financial information should be read together with the separate financial information as at and for the year ended December 31, 2023 and with the consolidated financial statements as at December 31, 2023 and the condensed consolidated interim financial statements as at September 30, 2024.

In this separate financial information –

- (1) The Company – Shufersal Ltd.
- (2) Consolidated companies/subsidiaries – Companies, including a partnership, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.
- (3) Investee companies – Consolidated companies and companies, including a partnership or joint venture, the Company's investment in which is stated, directly or indirectly, on the equity basis.

Note 2 - Significant Accounting Policies Applied in the Condensed Separate Interim Financial Information

The accounting policies applied in this condensed separate interim financial information are the same as those applied in the separate financial information as at December 31, 2023.

Note 3 - Material Events in the Reporting Period

- A. During the period a wholly owned subsidiary distributed a dividend in the amount of NIS 30 million.
- B. See Note 5 to the condensed consolidated interim financial statements for details regarding additional material events in the reporting period.
- C. See Note 7 to the condensed consolidated interim financial statements for details regarding developments in claims and legal proceedings.

Note 4 - Material Events Subsequent to the Reporting Period

See Note 9 to the condensed consolidated interim financial statements for details regarding material events subsequent to the reporting period.

Part D

**Quarterly Report on Effectiveness
of Internal
Control over Financial
Reporting and Disclosure;
and Officers' Certifications**

2024

Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for the Third Quarter of 2024

Quarterly Report on Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to Regulation 38C of Securities Regulations (Periodic and Immediate Reports) – 1970:

Management, under the supervision of the Board of Directors of Shufersal Ltd. (hereinafter – **the Company**), is responsible for planning and maintaining adequate internal control over financial reporting and disclosure in the Company.

In this respect, the members of management are:

1. Yosef Amir, Co-CEO;
2. Shlomo Amir, Co-CEO;
3. Efrat Binshtok, Deputy CEO;
4. Itshak Cohen Yehonatan, Deputy CEO;
5. Gil Weiss, CFO;
6. Aaron Kaufman, VP, Legal Advisor;
7. Dafna Engelshtein, VP of Information;
8. Eran Sela, VP of Operations and Sales;
9. Yiftach Bloch, VP of Supply Chain;
10. Shlomo Reuven, VP Security and Control;
11. Ella Berin, VP Commerce;
12. Reut Refaeli Cohen, VP of Human Resources;
13. Tom Yonai, VP of Communication and Innovation;

Internal control over financial reporting and disclosure consists of the Company's existing controls and procedures that have been planned by the CEO and the most senior financial officer or under their supervision, or by the equivalent acting officers, under the supervision of the Company's Board of Directors, designed to provide reasonable assurance about the reliability of financial reporting and the preparation of the financial statements in compliance with applicable laws, and guarantee that all information that the Company is required to disclose in the financial statements issued by law is collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.

Among other things, internal control includes controls and procedures planned to guarantee that all information that the Company is required to disclose as above is gathered and transferred to the Company's Management, including the CEO and the most senior financial officer, or the equivalent acting officers, in order to allow decision making on a timely basis with respect to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misstatements or omissions of information in the financial statements will be prevented or detected.

In the annual report on effectiveness of internal control over financial reporting and disclosure that was attached to the periodic report for the period ended December 31, 2023 (hereinafter – **the last annual report on internal control**), the Board of Directors and Management performed an evaluation of the Company's internal control. Based on that evaluation, the Company's Board of Directors and Management had concluded that the Company's internal control as at December 31, 2023 is effective.

Until the date of this report, the Board of Directors and Management have not become aware of any event or matter that could change the evaluation of the effectiveness of internal control, as presented in the last annual report on internal control.

As at the reporting date, based on the evaluation of the effectiveness of internal control in the last annual report on internal control, and based on information that was brought to the attention of Management and the Board of Directors as aforesaid, the Company's internal control is effective.

Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for the Third Quarter of 2024
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Officers' Certification

Certification of Chief Executive Officer

Pursuant to Regulation 38C(d)(1) of Securities Regulations (Periodic and Immediate Reports) – 1970:

I, Shlomo Amir, certify that:

1. I have reviewed the quarterly report of Shufersal Ltd. (hereinafter – "**the Company**") for the third quarter of 2024 (hereinafter – "**the reports**");
2. Based on my knowledge, the reports do not contain any misrepresentation of any material fact and do not omit any representation of any material fact that is needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports;
3. Based on my knowledge, the financial statements and other financial information included in the reports fairly present, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports;
4. I have disclosed to the Company's auditor, to the Company's Board of Directors, Audit Committee and Financial Statement Committee, based on my most recent evaluation of internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and the material weaknesses in the design or operation of internal control over financial reporting and disclosure that could reasonably adversely affect the Company's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
 - B. Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure;
5. I, alone or together with others in the Company, state that:
 - A. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated companies within their meaning in the Securities Regulations (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those consolidated companies, particularly during the period in which the reports are being prepared; and –
 - B. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
 - C. I have not become aware of any event or matter that occurred in the period between the date of the last report (the periodic report as at December 31, 2023) and the date of this report, which could change the conclusion of the Board of Directors and of Management about the effectiveness of the Company's internal control over financial reporting and disclosure.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under any law.

November 25, 2024

Shlomo Amir
Co-CEO

Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for the Third Quarter of 2024
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Officers' Certification

Certification of Chief Executive Officer

Pursuant to Regulation 38C(d)(1) of Securities Regulations (Periodic and Immediate Reports) – 1970:

I, Yosef Amir, certify that:

1. I have reviewed the quarterly report of Shufersal Ltd. (hereinafter – "**the Company**") for the third quarter of 2024 (hereinafter – "**the reports**");
2. Based on my knowledge, the reports do not contain any misrepresentation of any material fact and do not omit any representation of any material fact that is needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports;
3. Based on my knowledge, the financial statements and other financial information included in the reports fairly present, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports;
4. I have disclosed to the Company's auditor, to the Company's Board of Directors, Audit Committee and Financial Statement Committee, based on my most recent evaluation of internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and the material weaknesses in the design or operation of internal control over financial reporting and disclosure that could reasonably adversely affect the Company's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
 - B. Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure;
5. I, alone or together with others in the Company, state that:
 - A. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated companies within their meaning in the Securities Regulations (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those consolidated companies, particularly during the period in which the reports are being prepared; and –
 - B. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
 - C. I have not become aware of any event or matter that occurred in the period between the date of the last report (the periodic report as at December 31, 2023) and the date of this report, which could change the conclusion of the Board of Directors and of Management about the effectiveness of the Company's internal control over financial reporting and disclosure.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under any law.

November 25, 2024

Yosef Amir
Co-CEO

Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for the Third Quarter of 2024
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Officers' Certification

Certification of Most Senior Financial Officer

Pursuant to Regulation 38C(d)(2) of Securities Regulations (Periodic and Immediate Reports) – 1970:

I, Gil Weiss, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim financial statements of Shufersal Ltd. (hereinafter – **the Company**) for the third quarter of 2024 (hereinafter – **the reports or the interim period reports**);
2. Based on my knowledge, the financial statements and other financial information included in the interim period reports do not contain any misrepresentation of any material fact and do not omit any representation of any material fact that is needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports;
3. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports fairly present, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports;
4. I have disclosed to the Company's auditor, to the Company's Board of Directors, Audit Committee and Financial Statement Committee, based on my most recent evaluation of internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and the material weaknesses in the design or operation of internal control over financial reporting and disclosure that could reasonably adversely affect the Company's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
 - B. Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure;
5. I, alone or together with others in the Company, state that:
 - A. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated companies within their meaning in the Securities Regulations (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those consolidated companies, particularly during the period in which the reports are being prepared; and –
 - B. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
 - C. I have not become aware of any event or matter that occurred in the period between the date of the last report (the periodic report as at December 31, 2023) and the date of this report, to the extent it relates to the interim financial statements and other financial information included in the interim period reports, which in my opinion could change the conclusion of the Board of Directors and of Management about the effectiveness of the Company's internal control over financial reporting and disclosure.

Nothing in the aforesaid derogates from my responsibility or from the responsibility of any other person under any law.

November 25, 2024

Gil Weiss
CFO

Appendix

2024

Annex A

Letter of Consent from the Auditor



November 25, 2024

To
The Board of Directors
Shufersal Ltd.
30 Benyamin Shmotkin St.
Rishon Le-Zion, Israel

Dear Sir/Madame,

Re: **Consent Letter with respect to the Shelf Prospectus of Shufesral Ltd. (the "Company")**
Dated November 2021

We hereby inform you that we consent to the inclusion of our reports as indicated hereunder (including by way of reference) in a shelf offering report as may be published by the Company, if published, by virtue of the Company's prospectus dated November 2021:

1. The auditor's report dated November 25, 2024, on the Company's consolidated financial statements as of September 30, 2024 and for the nine and three-month periods then ended.
2. The auditor's special report dated November 25, 2024, on the Company's separate financial information as of September 30, 2024 and for the nine and three month-periods then ended, under Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Respectfully,

Kesselman & Kesselman
Certified Public Accountants
PwC Israel

