

Shufersal Group

Annual report for 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 investors convenience. 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



MANAGEMENT DRIVEN BY VISION AND VALUES



Excellent, Professional Service

Shufersal Group strives to provide the best service to its customers to the highest standards and is responsible for the uncompromising professionalism of the Group's employees.



Innovation

Shufersal Group is committed to be a market leader in terms of the quality and variety of its products as well as the shopping experience it provides to its customers. By constantly innovating, Shufersal works to meet its customers' ever-changing needs.



Quality

Shufersal Group is committed to the quality of the services and products it offers. Shufersal places importance on creating a positive shopping experience for its customers in order to ensure that they are satisfied and meet their expectations as a basis for a long-term relationship.



Proud to be Israeli

Shufersal Group is proud to be an Israeli company. Shufersal enhances the value of equality in the community by offering equal opportunity both to employees and customers. The Company is happy to serve the community and mobilize its resources in order to serve the citizens of Israel.



Fairness

Shufersal Group is committed to treat its customers, suppliers and employees in a fair, moral, transparent and reliable manner with the aim of maintaining an open dialogue and long-lasting relationships.



Commitment to our Employees

Shufersal Group is committed to treat its employees fairly and responsibly and maintain their dignity and uphold their rights. Shufersal believes in the personal and professional development of its employees and acts to promote such development.

**“BEING THE LEADING RETAILER
GROUP IN QUALITY AND SERVICE
AND THE FIRST CHOICE OF EVERY
HOUSEHOLD IN ISRAEL”**



Message from the chairman of the board of directors



Erez Kalfon

Chairman of Shufersal's Board of Directors

In the past year, we received further proof of the strength and resilience of the Shufersal Group, which is an integral part of Israeli society and its economy. Shufersal is committed to Israel's food security, and the supply of food and consumer products from north to south, including conflict zones.

The financial results are an expression of customers' trust in Shufersal, the impact of the hard work of all Shufersal Group employees, led by a rejuvenated Group management, headed by co-CEOs Yossi and Shlomi Amir. This year, the Group's solid foundations in the areas of retail and real estate were strengthened, alongside significant investment in growth engines and innovation, to ensure that Shufersal will continue to lead the industry in the future.

I thank the shareholders, the Shufersal board of directors, the co-CEOs, the group's management, the employees, and the entire Shufersal family who constantly work for the Group's success.



Message from the co-CEOs

Yossi and Shlomi Amir

Co-CEOs



The Shufersal Group is concluding a year of growth and momentum in its various activities. We are proud that millions of Israelis choose Shufersal and enjoy the best shopping experience and service in the industry. This year, we worked to expand the range of products to provide a solution for all of our customers. In addition, we are promoting projects to upgrade the visibility of branches in all formats and are constantly working to improve and expand the Group's assets.

The great achievements are thanks to the dedicated work of the entire Shufersal family, its employees and managers, on the ground and at the headquarters. This is just the beginning!

Alongside the increase in activity and the dramatic improvement in results, Shufersal management is leading efficiency and innovation processes and investing in human capital development and technology.

The group's strength is leading process efficiency and innovation with investing in human capital for its continued growth.

In the coming year, we will also work to deepen the synergy between all of the Group's brands, focusing on improving quality and service to our customers. We are happy to announce the return of the beloved Universe format. We are confident that together we will lead the Shufersal Group to development and growth in the fields of retail and real estate.

We thank the shareholders, the chairman and the board of directors for their trust and shared path, the Group's management and all employees of the Shufersal family for their commitment, commendable work and significant contribution to achieving the company's goals.



2024

BUSINESS CARD

Shufersal Group



Approx. 15.6 B NIS
Revenue



Approx. 1,952 M NIS
EBITDA
(12.5% of total Revenue)



Approx. 3.1%
Growth in Same Store Sales



Approx. 916 M NIS
Operating Profit
(Before other income and expenses)



Approx. 4 B NIS
Equity



Approx. 0.1 B NIS
Net Debt



Approx. 9.9 B NIS
Market Value as of 25.03.25



iIAA-/Stable
Credit Rating

2024



429

Stores Nationwide



Approx. 14.3

Thousands of Employees
(including outsourced workers)



Approx. 3.8 B NIS

Fair Value of Real estate
segment Assets
(as off 31.12.2024)



Approx. 543 K sq.m.

Commercial Space*



Approx. 614 Thousands

Credit Card Holders
(as off 31.12.2024)



Approx. 2.3 Million

Customers Club
(as off 31.12.2024)

*Gross area including sales areas and additional operating areas

SHUFERSAL

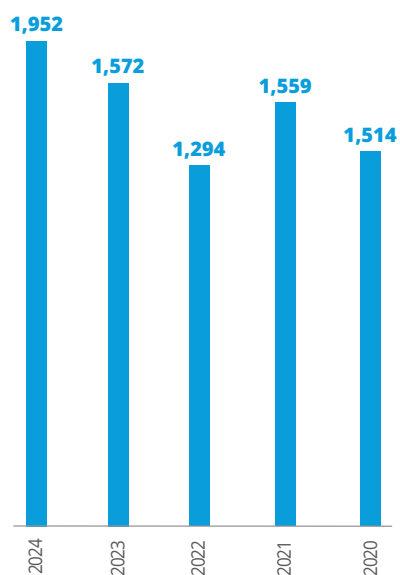
BY THE NUMBERS

Consolidated profit and loss (Millions NIS)

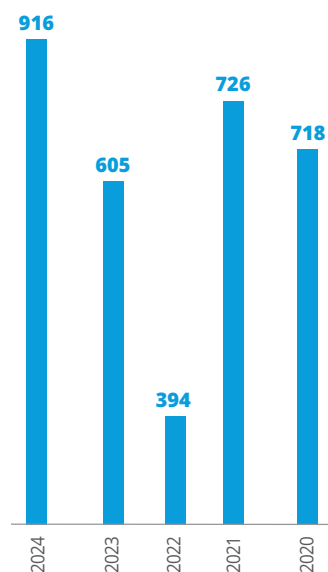
	2024	2023	Change % /difference*
Revenue	15,644	15,183	3.0%
Gross profit	4,431	4,027	10.0%
% Gross profit	28.3%	26.5%	*1.8%
Operating profit (Before other income and expenses)	916	605	51.4%
% Operating profit (Before other income and expenses)	5.9%	4.0%	*1.9%
Operating profit (After other income and expenses)	993	707	
% Operating profit (After other income and expenses)	6.3%	4.7%	*1.6%
Net profit	665	323	
% Net profit	4.3%	2.1%	*2.2%
EBITDA	1,952	1,572	24.2%
EBITDA %	12.5%	10.4%	*2.1%



EBITDA (Millions NIS)



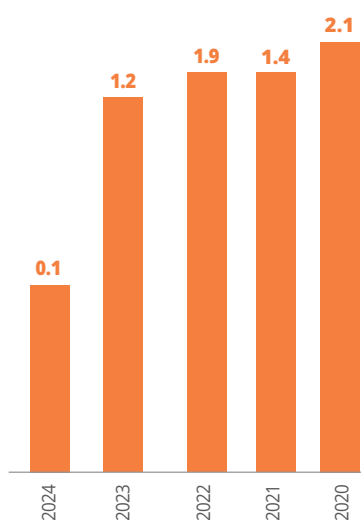
Consolidated Operating* Profit (Millions NIS)



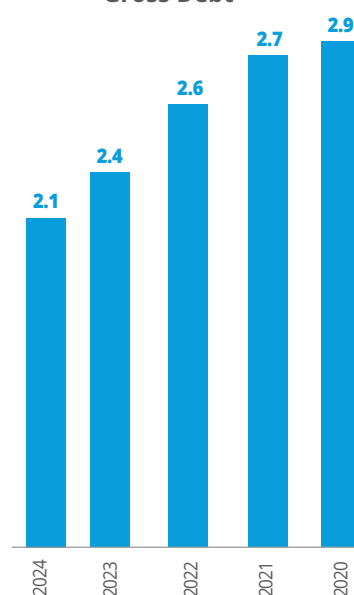
* Before other income and expenses

Debt* (Billions NIS)

Net Debt**



Gross Debt



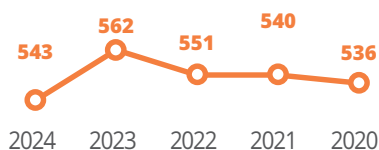
* Liabilities to banking corporations, debentures, including interest payable

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

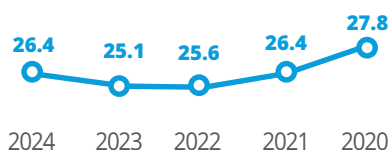


Income, Sales & Commercial Space

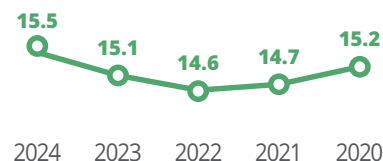
Commercial space** (K sq.m.)



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



Revenue (B NIS)



* Retail segment

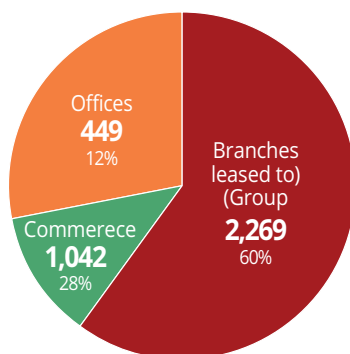
** Gross areas

Segments (Millions NIS)

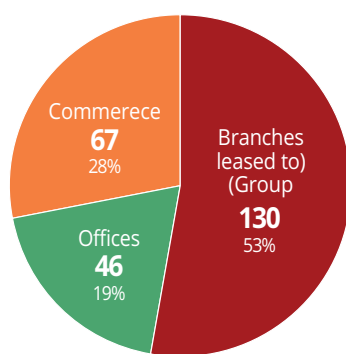
		 Retail	 Real Estate	Total*
2024	Revenue	15,528	267	15,664
2023	Revenue	15,078	250	15,183
	Change	450	17	461
2024	Operating profit (Before other income and expenses)	790	197	916
2023	Operating profit (Before other income and expenses)	502	173	605
	Change	288	24	311

* Including adjustments to the consolidated financial statements as described in Note 31 to the consolidated financial statements

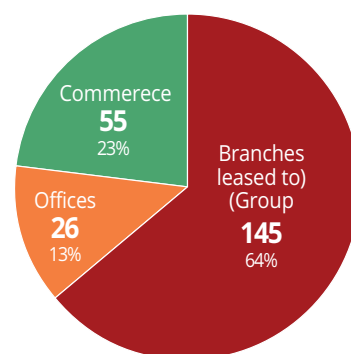
Real Estate Data*



3,760
ILS thousands
**Value of Real Estate
Segment Assets****



243
Sq.m thousands
Total area*



226
ILS millions
NOI ***

* Offsetting properties under construction not categorized to Offices Or Commerce.

** Value of Real Estate Assets as of Dec 31 2024.

*** NOI figures for 2024 .



BOARD OF DIRECTORS AND MANAGEMENT

Members of the Shufersal

Board of Directors

Erez Halfon | Chairman of the Board*

Yossi Amir

Eldad Avraham

Iris Shapira Yalon

Prof. Itzhak Shapira

Moshe Attias

Michal Arlosoroff

Hezi Zaieg

Tsili Naveh

Moshe Weingarten

Shufersal Management

Yossi Amir | Co-CEO

Shlomi Amir | Co-CEO

Efrat Binshtok | Deputy CEO

Itshak Cohen-Yehonatan | Deputy CEO

Gil Weiss | Chief Finance Officer

Ella Berin | Chief Trade Officer

Aaron Kaufman | Chief Legal Officer

Eran Sela | Chief Operations and Sales Officer

Dafna Engelstein | Chief Information Officer

Shlomi Shamir | Chief Supply Chain Officer

Shlomo Reuven | Chief Security Officer

Amichai Finkelstein | Manager of Shufersal Real Estate

Ran Aharoni | Manager of "Yesh" Format

Tom Yonai | Chief Communications and Innovation Officer

Shimon Hadad | Manager of "Finances Services"

Doron Radulescu | Chief Construction and Projects Officer

Lior Laizer | Manager "Businesses" Format

Reut Refaeli Cohen | Chief Human Resources Officer

Eitan Saida | Manager "Be-Pharm" Format

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

Shufersal Ltd., Shufersal campus
30 Shmotkin Binyamin St., Rishon Lezion 7536333

www.shufersal.co.il

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Phone Number. 03-9481727 | Fax. 03-9480917

hilac@shufersal.co.il

Investor Relations

Tom Yonai, VP of Communication and Innovation

Phone Number. 03-9481193 | Fax. 03-9480918

tomy@shufersal.co.il

* Temporary Chairman of The Board of Directors

Part A

Description of the corporation's business



Description of the Corporation's Business – Table of Contents

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Description of The Corporation's Business

1. Legend

For convenience, in this Chapter below the following abbreviations shall have the meaning listed beside them:

Gidron – Gidron Industries Ltd., a fully owned subsidiary of the Company.

The **Board of Directors' Report** – the report of the Company's Board of Directors on the state of the Company's affairs as of December 31, 2024, included in Part B of the Periodic Report.

The **Stock Exchange** – the Tel Aviv Stock Exchange Ltd.

The **Report** – Part A (Description of The Corporation's Business) of the Periodic Report.

The **Financial Statements** – the Company's consolidated financial statements as of December 31, 2024, included in Part C of the Periodic Report.

The **Periodic Report** – the periodic report for the year 2024 and all its parts as stated in the table of contents.

The **2023 Periodic Report** – the Company's periodic report for the year 2023, published on March 27, 2024 (Reference No. 2024-01-026653).

The **Commissioner** – the Israeli Competition Commissioner.

The **Group** or the **Shufersal Group** – Shufersal and its consolidated corporations.

The **Corporation**, the **Company**, or **Shufersal** – Shufersal Ltd.

The **Companies Law** – the Companies Law, 5759-1999

The **Securities Law** – the Securities Law, 5728-1968

The **Economic Competition Law** – the Economic Competition Law, 5748-1988

The **Food Law** – the Foods Sector Competition Promotion Law, 5774-2014

Part D – the Corporation's Additional Details Report, included in Part D of the Periodic Report.

Lev Hamifratz – Lev Hamifratz Ltd., a company held by Shufersal Real Estate at a rate of 58.73%.

Report Date – the date of publishing the Periodic Report or a date close to it, as applicable.

Shufersal Real Estate Group – Shufersal Real Estate and its consolidated companies.

Retail – food and consumer goods retail.

Shufersal Amiga – Shufersal Amiga Ltd., a fully owned subsidiary of the Company.

Shufersal Real Estate – Shufersal Real Estate Ltd., a fully-owned subsidiary of the Company.

Shufersal Stock – Shufersal Stock Ltd., a fully owned subsidiary of the Company.

2. **General**

The information presented below and the Company's estimates are based, *inter alia* and as applicable, on publications of the Central Bureau of Statistics (the "CBS"), Bank of Israel data, economic publications, and public information provided by a number of Israeli retailers and food manufacturers regarding their operations.

3. **The Corporation's Operations and Description of its Business Development**

3.1 **General**

Shufersal was incorporated in Israel in 1957. The Company's shares have been traded on the Stock Exchange since 1980. Over the years Shufersal has issued securities to the public, which are listed for trade on the Stock Exchange.

As of the Report Date and since June 21, 2018, the Company has been a company with no controlling shareholder, as defined in the Securities Law, 5728-1968. For details regarding the completion of a transaction to acquire 24.99% of the Company's share capital in February 2024 by the undersigned Yosef and Shlomo Amir, co-CEOs of the Company, as well as the letter received by the Company on April 16, 2024 from counsel for Yosef and Shlomo Amir, in connection with the voluntary application of certain restrictions applicable to controlling shareholders of the Company, see Section 3.2 below.

The Company has been active in two areas of activity: The retail sector and the real estate sector.

The Group is Israel's leading and largest Retail chain in terms of sales volume. The Group is primarily engaged in retail marketing of food and consumer goods. In 2024, the Group continued to realize its business strategy, and to develop and establish its growth engines. The Group manages and develops its business with the objective of offering a wide variety of high-quality products, services, and brands, at competitive prices, emphasizing customer experience and a high level of service, as part of a wide deployment of branches and online channels, in accordance with the needs of the chain's customers.

As of December 31, 2024, the Group operated 429 branches in various formats, compared to 420 branches as of December 31, 2023, with a total branch area of approximately 543 thousand square meters (compared to a total (gross) branch area of approximately 562 thousand square meters as of December 31, 2023), as

well as 2 automated shipping centers¹ with a total (gross) area of approximately 50 thousand square meters, as was also the case on December 31, 2023.

For details regarding the Group's strategy, see Section 11 below.

3.2 Main developments during the report period and thereafter until and immediately prior to the report's publication

- For the Company management's review of 2024, see Section 1.1.2 of the Board of Directors' Report.
- For the effects of the rising inflation and interest rates on the Company, see Section 7.2 below.
- For the effects of the military conflict between Israel and Hamas on the Company, see Section 7.1 below.
- For details regarding the sale of the Company's holdings in Paybox Ltd. (a private company, in which the Company held (49.9%) ("**Paybox**"), see Section 8.10.4 below.
- On February 29, 2024, the Company received notice from Yosef and Shlomo Amir, whereby Yosef and Shlomo Amir purchased, through companies under their control, 66,389,833 ordinary shares of the Company (together), constituting approximately 24.99% of the Company's share capital (as of the date of purchase) from a number of institutional entities. For additional details regarding the completion of the share purchase transaction and the update of the Company's interested party holdings, see the Company's current reports dated February 29 and March 3, 2024 (Reference Nos.: 2024-01-017998, 2024-01-018454, 2024-01-018457, 2024-01-018673, 2024-01-018904 and 2024-01-018898), which are hereby incorporated by reference.
- On April 16, 2024, the Company received a letter from counsel for Yosef and Shlomo Amir regarding the voluntary application of certain restrictions applicable to controlling shareholders in the Company, following a discussion they had on the subject with the staff of the Securities Authority, although in the opinion of Yosef and Shlomo Amir and counsel they are not controlling shareholders in the Company, including: [a] the terms of office and employment of Yosef Amir and Shlomo Amir and their relatives, as well as extraordinary transactions in which they have a personal interest, will be submitted for approval by the Company in accordance with the provisions of Chapter V of the Companies Law applicable to a controlling shareholder or the Companies (Easements in Transactions with Interested Parties) Regulations, 5760-2000, to the extent they are relevant; [b] the provisions applicable to a controlling shareholder regarding the majority required to

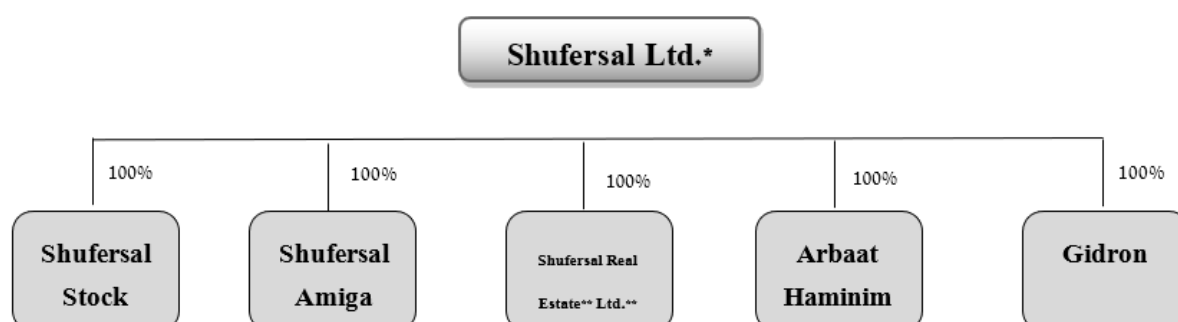
¹ Designated centers for the supply of products by way of the Group's website and applications.

approve appointments and termination of the term of office of external directors in the Company will apply to Yosef Amir and Shlomo Amir, in accordance with the provisions of Article V of Chapter I of Part VI of the Companies Law. It was clarified in the letter that the provisions therein will enter into force as of the date of the letter and will continue unless there is a material change in circumstances.

- For details regarding a lawsuit and a motion for class certification, which was served to the Company on April 30, 2024 and filed at the District Court for the Central District, against Shlomo and Yosef Amir, the companies Amir-Shlomi Brothers (2024) Ltd. and Amir Yossi Brothers (2024) Ltd. (in this section together the “**Respondents**”), and against the Company, as a formal respondent, on the grounds that the Respondents acquired a controlling interest and control of the Company without making a lawful takeover bid, contrary to the provisions of Section 328 of the Companies Law, and for public shareholder oppression, violating the duty of good faith, and enrichment at the expense of the members and companies of the alleged group, see Note 16 of the Financial Statements.
- For details regarding the changes that occurred in the Company’s management during 2024, see Section 16 of this report below and regulations 26 and 26A of Part IV (Additional details about the Corporation) of the periodic report.
- Further to the Company’s report on November 9, 2021 (ref. no 2021-01-164715), in connection with the Israel Competition Authority’s investigation, to the best of the Company’s knowledge, as of the Report date, the ICA has not reached a decision concerning possible indictments for violations of the Competition Law, with respect to which Mr. Aberkohen and its former officers were interrogated.

3.3 Holding structure diagram

Below is a diagram of the structure of holdings in the Group, as of the date of the Report:



* In addition, the Company owns additional subsidiaries as follows: Katif Ltd. (100%); Shufersal Travel Ltd. (53%).

** Shufersal Real Estate owns, directly and/or indirectly, the following companies: Hyperchol Ltd. (100%); Shufersal Buylesal Investments Ltd. (100%); Shufersal Property Company Ltd. (100%); Hantz Importers and Exporters Ltd. (100%); Orvani Investment Company Ltd. (100%); and Lev Hamifratz (58.73%).

3.4 Description of the Company's areas of activity

3.4.1. The Retail area

As of the date of this Report, the Company operates a number of formats within the “retail sector” that are tailored to the diverse needs and purchasing characteristics of customers who purchase products there. Below is a breakdown of the main formats in the retail sector, divided into two groups of branches nationwide – “discount formats” and “neighborhood formats.”

Discount branches

- **Shufersal Deal** – A discount branch format that offers low prices including a wide variety of products (including non-food products) in medium and large branches. As of December 31, 2024, there are 104 branches in this format.
- **Universe** – A discount branch format that is characterized by large stores at low prices and special in-depth promotions on a wide variety of products (including non-food products), and which offers a profitable shopping basket with centralized purchasing. As of December 31, 2024, the format had one branch. During 2025, the Company intends to open and/or convert additional branches to the Universe format.
- **Yesh Chesed** – Format of discount branches that offers competitive prices year-round that markets to the general

population and is adjusted to the needs of populations with large families, by adjusting the product selection to the customer base, and stocking products under strict Kosher laws (“*kashrut mehuderet*”). As of December 31, 2024, there are 21 branches in this format.

- **Shufersal Online** – A website and applications designed for online sales to private and business customers nationwide, allowing for time savings and maximum convenience. Products are delivered to customers from two automated shipping centers as well as physical branches.

Neighborhood branches

- **Shufersal Sheli** – A format of neighborhood branches that offer a variety of products that match the target audience, and spread across small and medium-sized branch areas that provide a solution to the consumer in terms of convenience, availability, freshness, service and personal attention. The branches are located in neighborhoods and city centers. As of December 31, 2024, there are 73 branches in this format.
- **Shufersal Express** – A format of very small branches in neighborhoods and city centers, operated by franchisees. The product selection in this branch format is based on the branch size. As of December 31, 2024, there are 94 branches in this format.
- **Be Pharm** – A format of pharmacy branches nationwide (mainly in neighborhoods and city centers), some of which are operated by franchisees, for the sale of cosmetics, convenience and toiletry products, and pharmacy and natural products. This is in addition to food and non-food products. As of December 31, 2024, the format included 99 branches.

See below additional information about the discount and neighborhood formats as of December 31, 2024, as applicable:

		For year ended on Dec 31, 2024	
		Discount*	Neighborhood**
Number of branches:		131	284
Commercial space, thousands sqm	Sales floor	266	103
	Storage space	111	51
Number of employees:		8,476	3,228
Same-store revenue change rate (1)(2)		2.62%	4.88%
		ILS millions	
Revenue***		10,498	4,326
Percentage of total sector revenue		68%	28%
Gross profit		2,629	1,519
Gross profit margin		25%	35%
Operating profit		440	207
Operating profit margin		4.2%	4.8%
Rent fees		395	250
Depreciation expenses		173	121
Other operating expenses		1,621	941
(CAPEX) Investments	In new branches	30	26
	Renovation of existing branches	68	36

* Discount branches include the following formats: Deal, Universe, Yesh Chesed, Hamapitz, Shaarei Revacha, Shufersal Online.

**Neighborhood branches include the following formats: Sheli, Express, BE, Yesh Bashkhuna and Good Market.

***The remaining retail segment revenues are from immaterial formats.

(1) Branches that were active in parallel periods in two comparative years.

(2) The Company includes sales data through shipping centers as part of same-store sales.

The variance in sales per sqm and in the operating profit rates, and in some formats also in gross profit rates, between Company branches, derives mostly from the location of the branch, customer base, the complex it is located in, the variety of products sold at the branch, competition in the area, and the cost of operating the particular branch, and not only the format of said branch. The operating costs in the neighborhood formats (the rent and municipal tax and the branch service level) are usually higher than the operating costs of branches in the discount formats.

In addition to the above, the Retail sector also includes the following:

(a) **Food Wholesale Distributor** (formerly Cash & Carry) – wholesale sales in large branches, as well as ordering goods from the branches

via a website and the Shufersal Business app; (b) “**Rural format**” – sales to food retail entities through direct supply from the company's logistics centers, via the Shufersal website and Business app; (c) **Amiga** – sales and distribution to the institutional market through the subsidiary Shufersal Amiga and the distributor Yossi Israeli Ltd.;² (d) **Gidron** – production of baked goods, frozen and baked, through the subsidiary Gidron, most of whose sales are to the group's branches; and (e) **Shufersal Stock** – import and retail sale (through Dan Deal branches) and wholesale of a wide variety of products, with an emphasis on particularly competitive prices. The Group intends to continue developing all of its formats, while noting, *inter alia*, competition in the area of activity (for competition in the retail area see Section 8.17 below) and the provisions of the Food Law (for more details, see Section 8.24.2 below).

For further information regarding the retail area, see Section 8 below and Note 31 of the Financial Statements.

3.4.2. The Real Estate Area

The Group's real estate activities are carried out through a wholly owned subsidiary – Shufersal Real Estate,³ and include the management of development, improvement and initiation of real estate properties. Within this framework, commercial, employment and office spaces are leased to third parties and to the Group's retail activities.

In addition, activities, assets and acquisitions of real estate areas with various designations are constantly being examined. The Group's real estate revenues derive mainly from rental fees from property rentals and management fees paid to it for management services.

As of December 31, 2024, the Group has real estate properties attributed to the real estate area, with a total scope of 240,000 sqm (the Group's share⁴), of which 130,000 sqm are leased for retail activity. The foregoing does not include a property under construction sized at some 5,000 sqm.

The real estate area covers the real estate properties it leases out to third parties (considered income producing properties or properties to be developed into income producing properties) that are classified as

² A wholly owned subsidiary of Shufersal Amiga, which, as of December 31, 2024, was merged with and into Shufersal Amiga.

³ Except for approximately 2,200 square meters owned by Arbaat Haminim Ltd., a wholly owned subsidiary of the Company.

⁴ Includes only the Group's share of assets held in joint ventures and a consolidated company.

investment properties in the Financial Statements, and the real estate properties owned by Shufersal Real Estate (directly or indirectly) that are leased to the Group (mostly branches) that are classified as fixed assets in the Financial Statements (with respect to properties it owns) or as rights of use assets (for properties it leases from the Israel Land Authority).⁵

For details regarding the failure to complete the restructuring transaction and the decision of the Company's board of directors not to continue examining financial moves in Shufersal Real Estate, see Section 9.12.6 below.

For further information about the real estate area, see Section 9 below and Notes 10, 11, and 31 of the Financial Statements.

As of the date of the Report, the retail area and the real estate area constitute the reportable operating sectors in the Financial Statements.

4. **Investments in the Corporation's Capital and Material Share Transactions**

To the best of the Company's knowledge, during the years 2023, 2024 and until the Report Date, no investments were made in the share capital of the Corporation (other than the exercise of options by Officers)⁶, and no material transactions in Shufersal shares were made by interested parties off of the Stock Exchange, with the exception that:

4.1 On February 29, 2024, the Company received notice from Messrs. Yosef and Shlomo Amir, whereby on February 28, 2024, they purchased through wholly owned companies 33,194,917 and 33,194,916 ordinary shares of the Company, each respectively, from institutional entities, at a price of ILS 22.58 per share, so that as of this date, Yossi and Shlomo Amir (together) hold 66,389,833 ordinary shares of the Company, which at that time constituted approximately 24.99% of the Company's share capital. As the Company was told, a joint holding agreement was signed between Yosef Amir and Shlomo Amir, pursuant to which: (1) Each of Yosef and Shlomo Amir undertook to the other not to transfer any shares of the Company, except with the prior written consent of the other party. It is clarified that the prohibition on sale or transfer shall not apply to a transfer to an authorized transferee or to a transfer by way of inheritance, all provided that the transferee takes the place of the transferring party in the joint holding agreement;⁷ (2) Yosef

⁵ It is noted that the real estate area does not include the Group's logistic centers in Shoham and Rishon Lezion (including the branch attached thereto) nor the Group's share in the automated shipping center in Modiin.

⁶ For additional details regarding the exercise of options by officers of the Company, see Regulation 20 in the Additional Details chapter and Note 22 of the Financial Statements.

⁷ "transfer" – purchase, sale, conversion, assignment, pledge or transfer, whether voluntary or involuntary, including by operation of law, and including in the event of a gift, transfer without

and Shlomo Amir have undertaken, one to the other, that subject to any law, they will vote at the general meeting of the Company by virtue of their holding of all the Company shares held by them at that time (directly and indirectly), in accordance with a preliminary resolution to be passed by them. Before each general meeting of the Company, Yosef and Shlomo Amir will hold a preliminary meeting, the agenda of which will be to pass a resolution on the manner of voting at the general meeting regarding the issues on the agenda of the general meeting of the Company. The resolutions at the preliminary meeting will be passed by a simple majority, in accordance with the proportion of each of their holdings of Company shares on the “effective date” set for that general meeting; (3) The joint holding agreement will be in effect as long as the aggregate holding of Yosef and Shlomo Amir is at least 10% of the issued and paid-up share capital of the Company. If their aggregate holding drops below the aforementioned percentage, the agreement will expire.

5. **Dividends Distribution**

5.1 On March 26, 2024, the Company’s board of directors resolved to distribute ILS 180 million in dividends. The dividends were paid on May 1, 2024, to the shareholders as of April 4, 2024.

5.2 On March 25, 2025, the Company’s board of directors resolved to distribute ILS 360 million in dividends. The dividends will be paid on May 6, 2025, to shareholders as of April 9, 2025.

5.3 The Company’s remaining distributable profits as of the report date are approximately ILS 2 billion.

5.4 **External Limitations on the Corporation’s Ability to Distribute Dividends**

The provisions of the Deeds of Trust for the Company’s bonds Series 4, 5, 6, and 7, and the provisions of the credit facilities agreements the Company has engaged under with three banking corporations (a separate agreement with each), include restrictions on distribution of dividends. For details, see Note 17 of the Financial Statements and Section 5 of the Board of Directors’ Report.

5.5 As of the report date, the Company has no dividend distribution policy.

consideration, or in the event of a forced sale due to receivership, liquidation, bankruptcy, execution proceedings or any other reason, all – whether directly or indirectly. "Permitted Transferee" – Transferee pursuant to one of the permitted transfers detailed below: (a) Transfer of shares from a party to the agreement to a corporation under its control; (b) Transfer of shares from a party to the agreement to its controlling shareholder; (c) Transfer of shares from a party to the agreement to another corporation controlled by the same controlling shareholder; (d) Transfer to a descendant.

6. Financial Information on the Corporation's Areas of Activity

6.1 For financial information on the Company's areas of activity, see Note 31 of the Financial Statements.

6.2 The Company's financial data, divided into areas of activity (in ILS million):

2024		Retail	Real estate (*)	Adjustments to consolidated	Consolidated
Revenue (In ILS million)	From external	15,528	116	-	15,644
	From other areas of activity	-	151	(151)	-
	Total	15,528	267	(151)	15,644
Total attributed costs (In ILS million)	Costs not considered revenues of other areas of activity	14,629	70	29	14,728
	Costs considered revenues of other areas of activity	109	-	(109)	-
	Total	14,738	70	(80)	14,728
	Fixed costs attributed to the area of activity	1,726	57	-	-
	Variable costs attributed to the area of activity	13,012	13	-	-
Profit from ordinary activities attributed to the parent company's owner (in ILS million)		790	186	(71)	905
Share in the profit from ordinary activity attributed to noncontrolling interests (in ILS million)		-	11	-	11
Total profit from ordinary activities (in ILS million)		790	197	(71)	916
Total assets attributed to the area of activity (in ILS million)		13,865	3,924	(2,867)	14,922
Total liabilities attributed to the area of activity (in ILS million)		10,520	874	(511)	10,883

2023		Retail	Real estate (*)	Adjustments to consolidated	Consolidated
Revenue (In ILS million)	From external	15,078	105	-	15,183
	From other areas of activity	-	145	(145)	-
	Total	15,078	250	(145)	15,183
Total attributed costs (In ILS million)	Costs not considered revenues of other areas of activity	14,476	77	25	14,578
	Costs considered revenues of other areas of activity	100	-	(100)	-
	Total	14,576	77	(75)	14,578
	Fixed costs attributed to the area of activity	1,656	66	-	-
	Variable costs attributed to the area of activity	12,920	11	-	-
Profit from ordinary activities attributed to the parent company's owner (in ILS million)		502	162	(70)	594
Share in the profit from ordinary activity attributed to noncontrolling interests (in ILS million)		-	11	-	11

2023		Retail	Real estate (*)	Adjustments to consolidated	Consolidated
Total profit from ordinary activities (in ILS million)		502	173	(70)	605
Total assets attributed to the area of activity (in ILS million)		13,836	3,743	(2,666)	14,913
Total liabilities attributed to the area of activity (in ILS million)		10,954	921	(530)	11,345
2022		Retail	Real estate (*)	Adjustments to consolidated	Consolidated
Revenue (In ILS million)	From external	14,591	71	-	14,662
	From other areas of activity	-	135	(135)	-
	Total	14,591	206	(135)	14,662
Total attributed costs (In ILS million)	Costs not considered revenues of other areas of activity	14,198	49	21	14,268
	Costs considered revenues of other areas of activity	104	-	(104)	-
	Total	14,302	49	(83)	14,268
	Fixed costs attributed to the area of activity	1,677	41	-	-
	Variable costs attributed to the area of activity	12,625	8	-	-
Profit from ordinary activities attributed to the parent company's owner (in ILS million)		289	156	(52)	393
Share in the profit from ordinary activity attributed to noncontrolling interests (in ILS million)		-	1	-	1
Total profit from ordinary activities (in ILS million)		289	157	(52)	394
Total assets attributed to the area of activity (in ILS million)		13,601	3,460	(2,514)	14,547
Total liabilities attributed to the area of activity (in ILS million)		11,017	905	(594)	11,328

(*) Total assets attributed to the real estate area of activity also include the branches leased out to the Company.

6.3 Nature of Adjustments to Consolidated and Distribution of Shared Costs

There are overlapping costs between the Company's areas of activity.

For further information about *Adjustments to Consolidated* and the distribution of joint costs, see Note 31 of the Financial Statements.

6.4 Explanation of Developments

For an explanation of developments in the above financial data, see Section 1 of the Board of Directors' Report.

7. The General Environment and the Impact of External Factors on the Group

In addition to trends and developments in the food sector in which the Group operates, there are macroeconomic factors that influence the Group's operations, as described below, including the market growth rate and the state of the local economy, the inflation rate, the interest environment, fluctuating prices of raw materials and products, and exchange rate fluctuations, the growth in the food market, private consumption per

capita (including disposable income per capita), minimum wage increase, etc. The Group's activity might also be affected by global events that affect the Israeli economy.

7.1 The security-economic situation in Israel

October 7, 2023, saw the beginning of the Israel-Hamas war in Israel. With the outbreak of the war, a series of steps were taken in Israel that caused a certain reduction and slowdown in the activity of the Israeli economy and increased the level of risk and uncertainty in the market. This included, among other things, a number of downgrades of Israel's credit rating by the leading international rating agencies, and accordingly the ratings of the 5 banks in Israel were lowered; this was against the backdrop of fears of a further deterioration in the security situation, fighting on additional fronts, and political instability in the country.

In general, the Group, which operates as an essential enterprise (according to the Emergency Labor Service Law, 5727-1967), and as a leading food retail group committed to the nutritional security of all residents of the country, has essentially continued its activities as usual since the outbreak of the war. During the first days of the war, the Group faced various challenges that included a sharp increase in demand for basic food and consumer products alongside a decrease in demand in the business market on the one hand, and a significant shortage of manpower that created delays in the supply chain on the other. The Group focused its efforts to provide an efficient and rapid response to the continuity of service to customers and took a number of steps so that within a few days it had returned to regular operation.

In 2024 and as of the date of the report, there was no significant impact of the war on the results of the Group's operations and its financial position.

In the Company's assessment, as long as there is no worsening of the restrictions on the Group's activities due to a material deterioration in the security and/or economic situation in the country due to the war, no material impact on the Group's activities and financial results is expected as a result of the war. However, since at the date of publication of the report there is uncertainty regarding the development of the war, its scope, its duration and its effects, the Company is unable to assess the future impact of the war on the Group's results of activities, its financial position, its cash flows, its real estate assets and its financial strength.

7.2 Inflation, interest rate changes and rising input prices

During 2024, the upward trend in inflation rates in Israel and around the world continued, with the increase in the Consumer Price Index for 2024 totaling 3.4% (compared to 3% in 2023), and above the upper limit of the Bank of Israel's inflation target range (1%-3%). As part of an attempt to curb the rise in prices, and in light of the high geopolitical uncertainty and the increasing probability of more serious security scenarios, the Bank of Israel decided to leave the interest

rate at 4.5% in 2024 (the last interest rate reduction was made on January 1, 2024 from 4.75% to 4.5%), so that as of the date of publication of this report, the interest rate in the economy stands at 4.5%. According to the Bank of Israel's macroeconomic forecast, published in January 2025, the interest rate in the economy is expected to decline slightly and stand at an average rate of 4%-4.25% in the fourth quarter of 2025.

Also, with regard to fiscal policy, due to the war, the government budget deficit increased in 2024 and amounted to 7% of GDP (compared to 4.2% of GDP in 2023). The overall economic growth rate in 2024 was approximately 0.6% (compared to a growth rate of approximately 2% in 2023). According to forecasts from macroeconomic sources, during 2025, GDP is expected to grow at a rate of approximately 4.0%.⁸

In terms of the labor market, the year 2024 was characterized by absences of workers who were drafted into reserve duty, both at the beginning of the year and in the months of September to December 2024 due to the escalation of the conflict in the north.

7.2.1. Effects of the market interest rate

During the report period, as a result of the stabilization of the interest rate in 2024, there was no material impact of the market interest rate on the Group's results. For further details, see Section 2 of the board of directors' report.

7.2.2. Effects of inflation

As of the Report Date, as a result of the increase in inflation rates during 2024, there was a positive impact on profit and loss resulting from an increase in rental income (for rental agreements linked to the Consumer Price Index) and an increase in the fair value of investment real estate, as a result of the increase in income as stated. On the other hand, there was an increase in financing expenses for bonds, loans linked to the Consumer Price Index, and lease liabilities. For additional details, see Section 2 of the board of directors' Report..

For other effects on the Group's financial condition, liquidity, and financing sources, see Section 12 below.

7.2.3. Effects of changes in input prices

Macroeconomic events and their possible impact on international trade may cause volatility in the Group's cost components, including the prices of services and products. As of the date of the report, the

⁸ Based on the macroeconomic forecast of the research division published by the Bank of Israel on January 6, 2025.

Company is unable to estimate the possible changes in input prices and the prices of services and products as aforesaid and their impact on the Group's profitability.

To clarify, the Company's estimates on the effects and consequences of changes in interest rates, inflation and input prices, as well as the possible consequences of the socio-economic situation in Israel and the Israel-Hamas war, as detailed above, on the Group's activities, businesses and results are considered forward-looking information, as defined in the Securities Law. Among other things, these estimates are based on Group management's experience in its areas of activity, the information available to the Group as of the Report Date, and public economic forecasts. Hence, there is no certainty that all or some of these estimates will materialize, and they might differ, including materially so, from the above forecasts, because of different factors that include the consequences of the war and the uncertainty surrounding its nature and duration, the state of the economy, the state of the retail market, including competition in this sector, and because of the effect of the Group's risk factors, as set forth below in Section 18.

7.3. Cost of living in Israel

Cost of living in Israel affects the public, political and economic discourse and economic activity in the Israeli economy, including food retail and consumer products, which manifests, among other things, in a consumer preference toward low prices.

2024 was characterized by price increases in a variety of areas and increased public discourse on the cost of living. As of January 1, 2025, the VAT rate was updated to 18% (compared to 17% in 2024). The increase in the VAT rate has a direct impact on the cost of living in Israel.

Cost of living in Israel might negatively affect the Group's business results, owing to the strong consumer pressure on the Group to lower the cost of the products it sells and the increasing competition from expanding competitive chains.

7.4. Legislation and regulation

For details regarding legislative and regulatory provisions relating to the Group's activities, see Section 8.24 below.

7.5. Competition

For details regarding competition in the retail food market in Israel, including its impact on the Group and how the Group addresses it, see Section 8.17 below. For details concerning competition in the real estate industry, see Section 9.7 below.

7.6. Changes in exchange rates

A significant depreciation in the exchange rate of the Israeli currency, compared to other currencies, may result in an increase in the prices of products that are imported or have a significant import component, and may affect the Group's business results. See also Section 2.2 of the board of directors' report.

7.7. Statutory changes to employee wage costs

As of the Report Date and starting April 1, 2024, the minimum wage is ILS 5,880.02 per month according to the Minimum Wage (Increase of the Minimum Wage Amounts – Temporary Order) Law (Amendment), 5778-2017. According to said law, in April 2025, minimum wage is expected to increase and be set at 47.5% of the average wage in the market, namely ILS 6,242 per month (an addition of ILS 362).

Due to the large number of employees that the Group employs, the minimum wage increase or additional future changes to the employee wage may affect the Group's business results and lead to a significant increase in the Group's wage costs.

In accordance with the above in subsection 7, there is difficulty in assessing the total scope of the direct and indirect economic consequences, in the short, medium and long term, of the aforementioned situation on the Group, the value of its assets, its results, its business condition, its equity and its ability to realize its assets.

The Group's management regularly examines the macroeconomic effects and possible consequences of the economic situation in the markets on the Group's business.

8. The Retail Area

8.1 General Information about the Retail Area

Retail is the Group's main area of activity and its "core business". The Group is a leading group in the retail sector in Israel and operates diverse formats (physical and online) nationwide for the sale of food, cleaning, pharmaceutical, cosmetic, electrical, houseware products and services and more.

Below is general data regarding the branches operated by the Company and the Company's main results in the retail sector:

		For the year ended		
		2024	2023	2022
		ILS millions		
General data				
Number of franchise branches (1)		128	113	102
Number of branches in direct operation		301	307	308
Gross commercial area (in thousands of square meters) (2)		543	562	551
Net commercial space (in thousands of square meters)		399	401	392
Human capital	Branches (3)	13,866	15,354	16,119
	Other	404	453	426
Cost of operations				
Revenue	Direct operation	14,498	14,188	13,831
	Franchising (4)	253	207	198
	Wholesale	777	683	562
	Other revenue	-	-	-
Cost of goods sold	Fixed costs (5)	206	199	157
	Variable costs (5)	10,973	10,918	10,600
Rent	Fixed (6)	658	622	590
	Variable	18	17	15
Capital investments in branch renovations		105	173	251
Capital investments in establishing new branches		58	104	88
Total salary expenses attributable to retail activity employees (including expenses for contractor employees)		2,277	2,261	2,220
Advertising expenses		75	110	160
Depreciation expenses		1,106	1,039	972
Operating profit		790	502	289
Operating working capital		(1,780)	(1,341)	(836)
Revenue and sales data				
Same-store sales change rate (%)		3.1%	2.1%	(2.4%)
Customer Club Data				
Number of members in customer club (millions)		2.3	2.3	2.3
Number of members holding the customer club credit card (thousands)		614	615	659
Identified purchase rate (%) (6)		74%	78%	79%
Growth at the Group level				

	For the year ended		
	2024	2023	2022
	ILS millions		
Rate of change in commercial space/sales floor	-3.4%	2.0%	2.0%

(1) Branches operated by non-Group employees.

(2) Total branch space (excluding automated dispatch centers) in self-operated and franchised locations, including warehouses and offices in branches.

(3) Includes all branch employees, including support units and excluding headquarters employees presented under "Other".

(4) Franchise commissions from operations in Group branches.

(5) Rental expenses of all operating assets of the activity area.

(6) Calculated in relation to sales in formats in which club customers are identified.

Below are details regarding the geographical distribution of the Company's branches as of December 31, 2022 to 2024:

Region	Number of branches for year ended on		
	Dec 31 2024	Dec 31 2023	Dec 31 2022
North	111	110	109
Central	252	248	243
South	66	62	58
Total	429	420	410

8.2 Structure of the Area of Activity and Changes Thereto

The retail sector in Israel is very diverse and includes marketing chains that operate nationwide.

In the food and consumer goods market, in addition to the Group, there are a large number of food marketing chains operating, such as the following chains: Rami Levy Shivuk HaShikma, Yochananof, Machsanei HaShuk, Victory Supermarket Chain, Hazi Hinam, Tiv Taam, Osher Ad, Carrefour Israel, Freshmarket, Wolt Market, King Store, Super Yuda, Machsanei Mazon, Hyper Dudu, Super Habib and more. In addition, specialized stores operate in the aforementioned market (such as: greengrocers, butchers, delicatessens and bakeries); urban convenience stores and gas stations, which usually operate in a format of continuous operating hours throughout the week such as: AM-PM, grocery stores, and open and closed markets.

In the pharmaceutical market, in addition to the Group, the following chains operate, among others: Super Pharm, Good Pharm, Lior Adika, as well as stores specializing in makeup, dedicated cosmetics stores, HMO pharmacies and private pharmacies.

In stock, in addition to the Group, the following chains operate, among others: Max Stock, Zol Stock, Hastock, Jumbo Stock, Jumbo Yavan, as well as stores dedicated to the stock sector, housewares and more.

For details regarding restrictions, legislation, standards, and special constraints that apply to the area of activity and about the competition in the field of activity

and the Group's ways of coping against the backdrop of market competition, see Sections 7.4, 7.5, 8.17 and 8.24 of the Report.

8.3 Changes to the Scope of Activity in the Area

According to CBS data, in 2024 there was a 2.7% increase in fixed prices in the revenue of food chains compared to 2023.

8.4 Developments in the Markets of the Area of Activity or Changes in the Characteristics of its Customers

To the best of the Company's knowledge, in recent years the Retail Food Chains are taking action to expand their retail spaces, to start cooperating, among others with international entities, and they have intensified their products' marketing activity on dedicated online channels for shopping via designated mobile applications and on the websites, including by developing and expanding the online activity where such purchases are possible. In addition, there is a noticeable trend of new players in the online area (from Israel and abroad), and by opening additional sales platforms in dedicated apps that are players in the quick commerce field. In recent years, new retail food chains started operating in the food industry and consumables, and there has also been an increase in the number and scope of activity of various specialty stores. There is an increasing trend of specialized rapid delivery services in areas with high demand. Alongside these transformations, in recent years innovative technological developments, including setting up automated stores, began being implemented in the industry, and the technological development in this area is continuously increasing, including in the sales and marketing channels in the physical stores and online, in logistics and in analytical analysis of information, and using advanced AI and ML models, among other things about the customers and their preferences. In addition, 2022 was especially characterized by growth of convenience stores, neighborhood stores and specialty stores, which offer buying experience, variety, geographic convenience and flexible opening hours, some in combination with online supply solutions.

Regarding the impact of the state of the Israeli economy and the provisions of the Food Law, respectively, on the Israeli retail food market, see also Section 7 above and Section 8.24.2.

The Group monitors developments in the food and consumable sector and adjusts its operations accordingly, as required. This includes implementing the Group's business plan, such as adjusting the Group's retail areas to improve service and customer experience, adjusting a variety of products on different formats including strengthening and promoting the private label as a less expensive, updating the marketing and benefits policy for Group customers, including deep discounts, supporting the Shufersal and Yesh customers' clubs and credit cards by offering benefits to customer club and creditor card club

members, improving customer experience, a higher service level, and upgrading the Group's capabilities on the Shufersal Online sites and other digital platforms.

8.5 Critical Success Factors in the Area of Activity and Changes Thereto

Shufersal is a retail group that operates in a wide variety of channels and services.

It is possible to point to a number of critical success factors in the food and consumer product activity that affect competitive standing in this area: (a) the price concept – competitive shelf prices over time; (b) attractive store locations, nationwide: neighborhood stores in city centers; outside city centers – large stores (discount format); (c) the ability to offer a wide selection of high-quality and easily available products, based on the consumers' needs, at competitive prices, while generating added value for the consumer; (d) food safety; (e) product availability, which influences the buying experience of Group customers; (f) the ability to provide high-quality service through all channels of communication with the customer (online, app, customer service centers, etc.), while creating a unique shopping experience, in particular by making home deliveries through Shufersal Online sites and other digital platforms; (g) alongside shopping at branches, constant development of options to buy online (website/app) that includes home delivery with nationwide coverage (including distant towns); (h) The ability to develop, market, and strengthen leading private label products with competitive prices and without compromising quality (for details on the Group's private label see Section 8.10.2 of the Report); (i) Independent distribution to Group branches that enables optimizing processes along the supply chain and in branches, in addition to providing flexibility and independence in distributing Group products (see Section 8.15 of the Report); (j) The ability to buy from many diverse vendors in Israel and abroad at attractive commercial terms; (k) The ability to maintain customer loyalty and preference through the Group customers' club, including the Shufersal and Yesh credit cards (for details about the customers' club and the credit card club the Group manages see Sections 8.10.5 and 8.14 of the Report); (l) Financial resilience; (m) Innovation expressed, *inter alia*, by upgrading the shopping experience, self-checkout, self-scanning of products and more, allowing for independent payment at Group branches and digital platforms (sales via technological means that enable tailored service to individual customers through the internet and the smartphone app); (n) quality and professional human capital an experienced administrative backbone with experience in cross-organizational processes while creating organizational connectivity of the Group's employees; (o) the existence of a real estate arm in the Group that operates to locate, develop and initiate commercial and logistics properties owned by the Group and used in the field of activity.

8.6 Changes to the Vendor and Raw Materials System in Retail

For details regarding changes to the vendor and raw materials system, see Section 8.21 below.

8.7 Main Entry and Exit Barriers in the Area of Activity, and Changes Thereto

It does not require special resources to open a single foods and consumer product store. That being said, transitioning from operating one or a few local stores to physically and online operating a nationwide chain requires further significant investment in terms of infrastructure, logistics, technology and high-quality personnel and for this, appropriate financial strength is required. In addition, there are regulatory barriers to entry for licensing and establishing pharmacies, for manufacturing, importing and selling food products, and more.

The limited size of the Israeli food market and fierce competition in the food and consumer product industry, could also be considered entry barriers in this area. Such competition may intensify due to the possible entry of international retail chains , and due to the development of new models in the field of shipments, and it may cause a products price erosion.

The Group's long-term lease agreements could be considered exit barriers.

8.8 Substitutes to Products in the Area of Activity and Changes Thereto

Marketing chains sell thousands of products, and most of them have substitutes of various types, including individual brand products of the Group. Some products sold at Retail Food Chains are characterized by high customer brand loyalty, thus limiting the substitutability of such products. If the Company stopped selling one of more of these products because of a long-term break in their supply, the results of the Group's activity could suffer due to customer loyalty to specific brands, depending on the duration of said break in supply, if any. It is noted that some of these products are marketed by vendors that were declared a monopoly with respect to said products, therefore they have a limited ability to stop supplying their products to the Group. A break in supply of said products to the Group, for reasons unrelated to the Group, would be almost possible if such products are no longer supplied to the entire market. In such case, the effect on the entire retail market shall be uniform.

For information about the structure of competition in the area of activity and changes thereto, see Section 8.17 below.

8.9 Summary of results of the activity area

Below is a summary of the results of the activity area for the years 2022, 2023 and 2024 (in millions of ILS):

	2024	2023	2022
Number of branches	429	420	410
Branch area (thousands of square meters)	543	562	551

	2024	2023	2022
Retail segment revenue	15,528	15,078	14,591
Depreciation and amortization	1,106	1,039	972
Gross profit	4,349	3,961	3,835
Gross profit rate	28.0%	26.3%	26.3%
Operating profit before other income (expenses)	790	502	289
Operating profit after other income (expenses)	822	551	89

8.10 Products and services in the area of activity

8.10.1. General

The Group sells a very wide range of products at its branches, including products manufactured by various suppliers for the Group including those bearing the Group's private-label brands.

The Company's branches sell a variety of products: all food products, including meat, poultry, and fish; fresh fruit and vegetables and organic products; toiletry, cosmetics, and drugstore products; leisure products; electrical appliances and communication devices; houseware, and a variety of non-food products. In particular, the Group places emphasis on a wide and diverse range of products at its branches, fresh service departments, such as bakeries, butcher shops, and delis. These departments sell many products, some of which are baked and sliced on site, such as bread and baked goods, meats, and cheeses.

8.10.2 Private labels

The Group offers its customers unique and extensive solutions through a private label in the areas of food, health, toiletries, electricity, houseware and home care products, etc. Within the framework of the private label, the Group offers its customers, in various formats, quality products at competitive prices that are manufactured by leading suppliers in Israel and abroad for the Group and enrich the variety offered to the Group's customers according to their various preferences.

In 2024, private label sales amounted to ILS 3.6 billion, compared to ILS 3.8 billion last year. During 2024, the Group continued to work to strengthen the private label and expanded the private label and launched new products in additional leading categories. The sales rate of the Group's private label products in 2024 was 22% of total gross sales (redeemed) in the retail sector⁹ (compared to a rate of 24% in 2023). The Group sees private label products as a growth engine and a tool for developing consumer loyalty, for differentiation from competitors, for increasing awareness of the Group's brands, for presenting innovation in the market and for improving the profitability of the category.

⁹ Sales of the activity area in branches and online activities.

8.10.3 Shufersal Stock (Dan Deal)

On May 3, 2022, the Company entered into an agreement with all shareholders of the Dan Deal Group (respectively, the “**Sellers**” and “**Dan Deal Group**”), to buy all the Sellers’ shares in the Dan Deal Group of nine companies that jointly operated ten Dan Deal branches in Israel, and to acquire from Dan-As Ltd., also owned by the Sellers, its retail operations that include importing and selling products to the Dan Deal Group’s branches and third parties. The total consideration for the purchased shares and the acquired operations, as said, was comprised of consideration on the completion date and contingent consideration. On August 2, 2022, the transaction was completed (the “**Completion Date**”), while the Completion Date consideration paid in 2022 was ILS 106 million. The performance-based consideration will be paid after approval of the financial statements for 2026.¹⁰ On February 19, 2023, eight companies in the Dan Deal Group merged with and into Shufersal Stock, effective as of December 31, 2022.

It should be noted that on November 5, 2024, the Company received a letter from the shareholders of the Dan Deal Group in which the shareholders of the Dan Deal Group claim that the Company is not meeting its obligations under the agreement, inter alia, because according to them the Company has not made and is not making all reasonable efforts to maximize the performance of Shufersal Stock, which, according to them, has caused damage to Shufersal Stock. According to the shareholders of the Dan Deal Group, the Company’s obligations under the agreement were at the heart of the parties’ agreements to split the consideration for the transaction, and to postpone a significant portion of it after the end of 2026. It should be noted that the Company rejects the aforementioned claims.

As of the Report Date, the Group operates 13 Dan Deal branches, ranging in size between 150 sqm and 1,600 sqm.

8.10.4 PayBox

Paybox Ltd. is a company that offers financial services via an application and was owned and controlled by Israel Discount Bank Ltd. (the **Bank**) (50.1%) and owned by the Company (49.9%). On September 17, 2024, a transaction was completed, in which the Bank acquired all of the Company’s holdings and rights in Paybox, including capital notes and subordinated promissory notes that it granted to it, for a total consideration of ILS 78 million (including index linkage from June 16, 2024, the date of executing the sales agreement until the date of closing the transaction). On the date of closing the transaction, the cooperation agreement between the Bank and the Company in connection with Paybox’s

¹⁰ For additional details regarding the contingent consideration, see Note 5(c)(2) of the financial statements.

activities expired. The Company recognized in its financial statements a profit after tax in the amount of ILS 44 million.

For further details, see Note 5 of the financial statements.

Credit Cards

The Group offers “Shufersal” and “Yesh” credit cards to the general public (subject to certain conditions), which grant, through various format activity in the area of activity, membership to the Group Customers’ Club, exclusive benefits (on top of the benefits available to the Group Customers’ Club members), and off-bank credit facilities provided by the Israel Credit Cards Ltd. (“CAL”) (hereinafter “**Group Credit Cards**”).

Since January 18, 2018, the Group has been issuing credit cards to its customers through CAL, pursuant to the MOU executed between the Company and CAL on November 2, 2017, as updated from time to time (the “**CAL Agreement**”). On April 11, 2022, the Company and CAL executed an amendment to the CAL Agreement that included, among others, an extension of the agreement term until December 31, 2030. For further information about the CAL Agreement and the amendment thereto, see note 29(a) of the Financial Statements.

As of December 31, 2024, the number of valid credit cards of the Group held by Group customers was approximately 614,000 credit cards. The Group continues its endeavor to retain customers and increase the number of Group Credit Cards.

Approximately 15% of the total Company sales in 2024 were made by customers who paid using Group Credit Cards. CAL Group Credit Card holders account for 27% of the Group Customers’ Club members. The Group’s revenue from its credit cards derives from commissions, credit spreads, membership fees, and card fees. To the best of the Group’s knowledge, according to the published reports of the credit card companies, as of the end of Q4 2024, the share of the Group’s credit cards in the off-bank credit cards market was 11%.

To the best of the Company’s knowledge, many companies and organizations in Israel offer off-bank credit cards to customers, similar to the Group Credit Cards. According to published reports by credit card companies, as of December 31, 2022, 37% of the active credit cards in Israel are off-bank credit cards. Also, to the best of the Company’s knowledge, some food retail chains that compete with the Group in the food and consumer product industry also offer off-bank credit cards to customers that provide benefits to customers who pay with those credit cards at food retail chain branches and with bodies with whom such food retail chains collaborate with respect to the credit cards.

In accordance with the decision of the Company’s board of directors from August 2023, the Company intended to act to introduce a partner or investor to the Group’s financial activities (which include, among other things, the Group’s

credit card activities) and within this framework, the planning and alternatives for carrying out such a move were examined. On March 25, 2025, the Company's board of directors decided not to continue to act to introduce such a partner or investor.

8.10.6 Shufersal Travel

As of the report date, Shufersal Travel, a wholly owned subsidiary of the Company, has negligible activity in the tourism sector. Following the Company's decision, the Company is working to shut down the activity.

8.11 Segmentation of sales and product profitability by field of activity

Below are details regarding the distribution of the Group's sales resulting from main groups of similar products in the retail sector: (*)

Group of products	Gross sales ILS millions (revenue) ¹¹			Percentage of total gross sales (revenue)		
	2024	2023	2022	2024	2023	2022
Dry Food	3,896	3,793	3,532	23.8%	24.1%	23.2%
Beverages	958	940	942	5.9%	6.0%	6.2%
Meat and Frozen	2,059	1,956	1,887	12.6%	12.4%	12.4%
Dairy and Dairy Products	2,208	2,129	1,968	13.5%	13.5%	12.9%
Vegetables and Fruits	2,238	2,054	1,973	13.7%	13.0%	13.0%
Pharma and Cleaning	2,241	2,197	2,140	13.7%	13.9%	14.1%
Health and Pharmacy	1,004	950	973	6.1%	6.0%	6.4%
Others	1,746	1,742	1,811	10.7%	11.1%	11.9%
Total	16,350	15,761	15,227	100.0%	100.0%	100.0%

(*) It should be noted that the comparative numbers in connection with sales have changed in light of a change in the classification of product categories.

8.12 Customers in the field of activity

The Group sells its products in physical stores and online activities on the internet and through dedicated applications to private customers and business customers nationwide and is not dependent on a single customer or a limited number of customers.

8.13 Online activity

The Group has several websites and dedicated applications that serve as marketing and sales channels for products nationwide to private and business customers in various formats.

Below is data regarding sales of the Group's entire online activity:

¹¹ Sales of the activity area in branches and online activities.

	For the year ended on		
	Dec 31, 2024	Dec 31, 2023	Dec 31, 2022
Sales (billions of ILS)	3.16	3.06	3.21
Percentage of total gross sales ¹² (revenue)	19.3%	19.4%	21.1%

Sales via websites and dedicated applications are a response to the growing need among customers to make online purchases, save time and maximize convenience, and accordingly, to changes in consumption habits and trends and technological changes that affect today's lifestyle, as well as contributing to increased sales and increased loyalty. The online activity is carried out while maintaining and constantly improving the high level of service provided to the Group's customers, through technological and logistical improvements that enable shorter delivery times and the integration of orders from different formats, receiving information and the possibility of realizing benefits at the time of ordering, constantly improving the quality and freshness of the products, expanding the variety of products, and more. The Group is constantly working to improve service with relevant technological leadership, also through collaborations with advanced technology companies in the delivery service and customer service, and it operates a system for controlling the quality of service and measuring the level of service and customer experience in the online field as well.

During and after the reporting period, the Group continued to develop the digital platform, which includes, as mentioned, a number of websites and dedicated applications, and the operational and logistical systems that support the Group's online activity, including the development of new applications that enable improved synergy between the activity of the various formats and between the online activity and the activity in the physical branches. During the report period, the Group continued to promote its automated shipping centers, including reaching full operation of the automated shipping center in the town of Kadima, significantly improving the activity and operational efficiency, including increasing the output of the activity at the automated shipping center in Modiin, with the aim of improving the quality of service to the Group's customers, enabling compliance with the demands and consumption preferences of the customers while reducing dependence on manpower, increasing the variety of products and improving their availability and quality.

8.14 Marketing and advertising in the field of activity

Prices and sales

The products sold by the Group are priced, *inter alia*, according to a pricelist that is based on the purchase price and market terms. The Group is bound by the prices stated in the promotional leaflets it occasionally publishes. Sometimes the

¹² Sales of the activity area in branches and online activities.

Group offers substantial and local promotions, for limited periods, to promote sales in some of the Group's branches; this is in an attempt to address local competition. According to the Food Law and the regulations promulgated thereunder, the Company regularly publishes on its website the prices of the products (as defined in the Food Law) sold by it.

Customer Club

The Group operates its customer club, under the brands Shufersal and Yesh ("Customer Club"). Joining the Customer Club is conditional on registration. The Group's customers who belong to the Customer Club enjoy unique benefits and discounts of various types and synergy between the Group's various formats, while personalizing each customer's product basket by mailing benefits and promotions directly to the club member through various means, including mail, email, text messages, a dedicated application, etc. The Group sees the Customer Club as a means of increasing customer loyalty and providing a solution to the customer's unique needs, and therefore invests efforts in characterizing the customer and his needs. As of the report date, the Customer Club has 2.3 million club members (including Group Credit Card holders).¹³

The volume of the Group's sales to members of the Customer Club (including Group Credit Card holders) out of the Group's total sales in the field of activity in 2024 was approximately 74%.

Vouchers and gift cards

Among other things, the Group promotes sales by selling the "Gold" and "Yesh" vouchers and the Shufersal gift card to consumers on various platforms. Most voucher and gift card sales are usually made before the Jewish high holidays and Passover. Sales of the Group deriving from exercising vouchers and gift cards at Group branches and on its websites accounted for approximately 6% of the total sales in Group branches and its websites in 2024. It is noted that the Company recognizes income in its Financial Statements when the vouchers/gift cards are exercised *de facto*.

Promotions and Advertising

The Group advertises its activities in accordance with an annual advertising plan and market developments, through digital and physical newsletters distributed to customers, by direct mail, in the written press, on television and radio..

The Group has extensive marketing activity in the online field, which promotes its activities on the Group's various websites and applications, including the Shufersal Online website..

¹³ A Customer Club members is whoever went through the identification process and made a purchase at least once in the last twelve months.

Additionally, the Group also develops, integrates and promotes specialization in the online marketing and data sectors, while developing analytic models which enable individual-oriented sales promotion review at the highest levels while leveraging the Group's digital assets.

8.15 Distribution in area of activity

As of December 31, 2024, the Group operated 7 main storage and distribution centers with a total area of approximately 114,000 sqm, including the storage distribution center in Shoham, Rishon Lezion, Rosh Haayin, Modiin (two sites), Beit Shemesh and Petah Tikvah. In addition, the Group uses an additional distribution center operated by an external company used on an as-needed basis by the Group as a container freight station (the “**Distribution Centers**”).

The Distribution Centers and the advanced technology supporting their operation allow the Group to store, harvest orders for and distribute goods from major logistics centers in key locations to support the Group's commitment to the availability of a wide variety of products and to the supply of goods of high quality and freshness while meeting customer expectations and needs for product availability and delivery times. As of December 31, 2024, approximately 56% of the products supplied to Group branches were distributed through these Distribution Centers. The remaining products the Group sells at its branches are distributed to branches directly from their suppliers or centrally by the Group's logistics system, according to orders made directly by the branches, and through an outside entity that distributes some products to the Group's branches and customers. As the Group distributes some of its products to its branches independently, instead of distributing the suppliers' products by them to their branches, the Group charges a distribution fee from vendors in return for supplying their products according to the nature of the logistics services provided to each vendor. The distribution fee is expressed as a discount on the distributed product unit price, for products the Group distributes. The Distribution Centers coordinate most of the Group's distribution activities, and take action to optimize its distribution complexes and its supply chain and branches, while increasing product availability and improving branch service.

Shufersal Online's distribution system is operated largely through external delivery contractors, with distribution control primarily being carried out by the Group's customer service center. Product deliveries for orders from the Shufersal Online website and app are logistically carried out from the Group's two automated delivery centers and from 29 integrated branches of the Shufersal Deal format.¹⁴ As of the Report Date, most of the products ordered from the Shufersal Online and Be Pharm websites and apps are supplied from the integrated branches. In addition, product deliveries to customers in other online

¹⁴ Physical branches that also serve online activities.

activities are made from the storage and distribution centers and in some formats also (or only) from branches. Furthermore, as part of the basket of solutions for the Group's customers in some formats, the Group operates in the field of activity in cooperation with the Wolt delivery company..

In 2018 a fully-owned subsidiary of the Company entered into an agreement with Amot Investments Ltd. (“**Amot**”), whereby the subsidiary shall acquire 25% of Amot's leasing rights in the vacant land in the Modi'in industrial zone, while the parties shall build a logistics center on it (as a joint transaction) (envelope level, excluding automation systems) in a scope of approximately 40,000 sqm, and an office building of approximately 6,000 sqm (jointly in this Section – the “**Project**”), while the parties' shares of the Project shall be 25% to the subsidiary and 75% to Amot, divided between them in nonspecific parts. The Company leases the logistics center from the joint transaction, under a long-term lease, and it is used as an automated shipping center for Shufersal Online operations, as aforesaid. Further to the above, in 2018, the Company entered into an agreement with KNAPP that shall supply and establish the automation activity for the new automated shipping center in Modi'in, as well as for the shipping center in Kadima (with a built area of approximately 8,000 sqm) that shall also serve as an automated shipping center for Shufersal Online.

The total investment for establishing the automated shipping centers in Modi'in and Kadima, as set forth above, are as of the report date estimated at approximately ILS 700 million (not including cost capitalization), spread over approximately 7 years.

The Group has entered into maintenance agreements in connection with the automated dispatch centers in Modi'in and Kadima with the automation supplier KNAPP. As of the report date, the Company estimates that it is dependent on KNAPP for maintenance of the aforementioned shipping centers, with the Group having the option of establishing an independent operations and maintenance system in the future. The consideration to KNAPP for the foregoing training, maintenance and operation services are in amounts that are not material to the Group.

8.16 Dependence on distribution channels

The Group is a retailer that markets to private customers and businesses the products it buys through a nationwide network of branches it operates. As stated in Section 8.15 above, the Group distribute approximately 56% of the products it sells through the Distribution Centers. Should the Group be unable to use the Distribution Centers it uses, for any reason whatsoever, the Group estimates it shall be able to divert logistics activity between logistics centers and make preparations for direct distribution of most of the products to all its branches in reasonable time, according to the vendors' ability to supply products directly to branches. In addition, the Group has digital marketing channels through which

it markets products to private and business customers using an integrated branch network, logistics centers, automated shipping centers and a distribution network that combines an independent shipping network and external shipping contractors. In the event that the Group is unable to use an automated shipping warehouse for distribution to its customers, the Group estimates that it will be able to shift the collection and distribution activity to physical branches and logistics centers within a reasonable period of time. In light of the Group's insurance coverage, it estimates this could have an immaterial effect on its results.

8.17 Competition in the area of activity

The Group is Israel's largest food and consumer goods retailer. Competition in the Israeli retail food and consumer goods market has been fierce for several years, both on the price level and following the development of the Other Food Retail Chains, which are increasing their retail spaces and their market shares and the opening of discount stores alongside its regular stores, as well as an increase in the number and scope in the activity of neighborhood and specialty stores and the expansion of competitors' online activity. In addition, such competition may increase due to an expansion of the retail activity of the various groups through the acquisition of a significant arm of food and consumer goods retail. As of the Report Date, the Group is competing against the Other Food Retail Chains in the food and consumer products industry including competing pharma and cosmetic chains, international chains, and specialty stores such as greengrocers, butcher shops, delis and bakeries, convenience stores in cities and gas stations, neighborhood grocery stores, open and closed markets, other retailers, and new service models specializing in shipping of food products in short-term period in high-demand areas. Competition in the retail market in 2024 was mostly affected by the continued competition against the Other Food Retail Chains, emphasizing regional competition areas, and it is likely to continue also in the future. Similarly, in 2024 food retail chains in the discount market continued to redouble their efforts to open stores in neighborhoods and main streets of city centers. The Other Food Retail Chains shall continue to compete against the Company both in city centers and outside them.

For additional details regarding competing chains operating, to the best of the Group's knowledge, in its field of activity, see Section 8.2 of this report above.¹⁵

Information about continued competition is forward-looking information, as defined in the Securities Law. Such information relies on Company estimates, in addition to the public information provided by several Israeli retailers regarding their actions. Competition in practice could be materially different from the foregoing forecast, as a result of various

¹⁵ For a list of large retailers in accordance with the provisions of the Food Law, see the Competition Authority website.

factors, primarily entrance or non-entrance of new competitors, including the entrance of international retail chains to Israel, the scope and expansion of the activity of competitors, and the impact of the Group's risk factors described in Section 18 below.

The Group is coping with competition in the area of activity and changes thereto in different ways. The Group is implementing the business strategy described in Section 11 below, which allows it to offer value to our customers in physical and online formats including by way of attractive prices and promotions, continued development and improvement of the technological and logistical tools that support the activity of the Group's online activity, investing in the visibility of physical branches while focusing on customer needs and maintaining high quality service, and improving the shopping experience in the various format branches, a broad, rich, high-quality variety of products available at the branches, including through the expansion and development of private label products. The Group also carries out marketing, advertising, and promotion activities, and it also operates its Customers' Club and credit card club and is working to develop new value programs to maintain its customer loyalty. The Group is also acting to differentiate and self-brand using and developing: the real estate assets it owns, the digital assets and databases owned by the Group, technological tools and innovation in the Group's large operational systems and supply chain, through the human capital with diverse knowledge and extensive experience accumulated over the years, in all areas of activity.

Group actions for coping with competition are implemented with emphasis on customer experience and the relationship with the customer, strengthening the image of the private label price and quality on the national level, as well as coping with regional competition, based on a regional analysis of competition in food retail and noting, *inter alia*, opening and closing of competing branches.

The positive factors that affect or that might affect the Group's competitive position include: the Group's financial resilience; its market share; the logistics centers and distribution system that provide flexibility, availability and independence in distributing Group products to the branches; national deployment that provides flexibility as the Group handles national and local competition; presence of automated shipping centers and additional collection and shipping channels that enable wide national coverage of Shufersal Online and other online activity including reaching distant towns (compared to the lower coverage offered by the Company's competitors) while providing flexibility and availability in supplying products to customers of online activities; the Customers Club that includes more than 2.3 million club members in Israel (including customers that hold the Group Credit Card) that is based on a database and allows individually addressing different needs of the customers on a more advanced level; the Company's position in the discount and neighborhood store area; the diverse formats that cater to the needs of customers

from all populations; a wide range of products including a variety of private label product lines constantly engaged in the expansion and development of new quality products at competitive prices; expansion and development of technological tools and innovation through the Shufersal Online website and app, other dedicated sites and apps, self-checkout system, self-scanning solutions; steps to preserve and continuously improve high-quality service over a broad range of channels with a commitment to providing the best possible solution to customers' needs, and so forth.

Negative factors that have or might have an adverse impact on the Company's competitive position include: the competition against chains that work on Saturdays and chains that market non-Kosher products; food retail chain mergers; the penetration of discount food retail chains into city centers); the entrance of new competitors, including international ones, into food retail, including specialty stores; growth in online retail trade; limitations on the Group's ability to acquire different operations or open new branches in some areas, that might require the Commissioner's approval; increasing competition over manpower in the employment market; as well as various statutory restrictions that apply to the Group's operations.

For further details, see Section 18.8 of this report below.

8.18 Seasonality in the area of activity

The retail sector in Israel is affected by fluctuation in sales and in quarterly profits, first and foremost because of the Jewish high holidays and Passover shopping peaks, that fall in different quarters in different years, resulting in increased consumption,. Below is the Company's revenue distribution in the retail sector according to quarters in 2023 and 2024:

	<u>2024</u>		<u>2023</u>	
	<u>Total revenue (in ILS millions)</u>	<u>% of total revenue in 2024</u>	<u>Total revenue (in ILS millions)</u>	<u>% of total revenue in 2023</u>
Q1	3,758	24%	3,695	25%
Q2	3,968	26%	3,676	24%
Q3	4,069	26%	3,826	25%
Q4	3,733	24%	3,881	26%

8.19 Fixed property, land and facilities

As of December 31, 2024, the Group owns the title or perpetual leases on 65 branches spread out over approximately 124,000 sqm (compared to approximately 66 branches covering an area of approximately 126,000 sqm as of December 31, 2023, including 1 branch the Company owns directly, and 64

branches owned by a subsidiary, Shufersal Real Estate (directly or indirectly) and leased to the Company.

It is noted that the branches owned by Shufersal Real Estate (directly or indirectly) are classified as investment real estate in the financial statement of Shufersal Real Estate , and as fixed assets or rights of use assets in the Company's Consolidated Financial Statements. The Group owns the title or perpetual lease of areas used for storage, offices and logistics centers.

When the Group leases areas from the Israel Land Authority it engages in lease agreements with the Israel Land Authority, usually for 49 years, with an option to extend by 49 additional years. Most of these perpetual lease contracts with the Israel Land Authority are capitalized and do not require an annual fee.

Also, as of December 31, 2024, the Group is leasing areas from third parties throughout the country, some in shopping centers, some in shopping malls, and some in other locations, covering approximately 419,000 sqm (compared to approximately 436,000 sqm on December 31, 2023), on which the remaining 364 branches are located (compared to 354 branches on December 31, 2023). The lease agreements for the branches are made for different periods, and usually the Group has options to extend the lease. The Group usually aims to enter into long-term leases, while maintaining flexibility throughout the term of the lease. According to the lease agreements, the Group must pay rent that is usually linked to the Consumer Price Index (the "**Base Rent**"). In some of the lease agreements, the Group can choose to pay rent derived from the sales turnover of the branch that operates in the leasehold. According to such arrangement, if rent derived from the sales turnover exceeds the Base Rent, the Group must pay the difference. There are also a few lease agreements whereby the Group is required to pay rent only as a percentage of the sales turnover. The total rent paid as a percentage of the sales turnover or paid as an addition to rent up to a percentage of the sales volume in 2024 was of an amount that is immaterial to the Group.

See below details about the Group properties that service the retail activity, as of December 31, 2024:¹⁶

Type of right in the property (Remaining time)	2024		Comments
	Area (In thousands of sqm)	Number of properties	
Active branches			
Ownership	48	31	These properties include one branch that the Company owns directly. The other properties

¹⁶ Assuming the Group exercises the options to extend the leases.

	2024		Comments
Type of right in the property (Remaining time)	Area (In thousands of sqm)	Number of properties	
			are leased to the Company by Shufersal Real Estate. ¹⁷
Long-term lease from the Israel Land Authority	76	34	Shufersal Real Estate leases these properties out to the Company
Total properties owned/leased from the Israel Land Authority	124	65	See above comments
Lease (16 to 24 years)	160	138	
Lease (11 to 15 years)	83	71	
Lease (6 to 10 years)	105	82	
Lease (less than five years)	72	72	
Total leased properties	419	364	
Total	543	429	
Branches in development – lease			
Lease	23	33	
Branches in development – ownership			
Ownership	0	0	
Distribution centers and offices			
Ownership/leasehold	63	3	
Lease	41	6	
Shipping centers			
Ownership	13	1	
Lease	40	2	
Warehouses and bakeries			
Lease/Ownership	4	1	
Lease (over five years)	30	4	
Lease (under five years)	5	1	
Land that is owned or leased from the Israel Land Authority (building rights)			
Building rights – owned/leased properties	255	19	

For further information about the branches the Group leases from the Shufersal Real Estate Group, and updating the lease agreements therefor, see Section 9.1 below.

Below are details regarding the Group's lease agreements with respect to assets used for retail operations, as of December 31, 2024:

Time to contract termination	For year ended on December 31, 2024		
	Area (thousands sqm)	Number of properties	Minimal rent (ILS thousands)
Without option			
Up to 1 year	0	0	0
1-5 years	336	308	374,825
5-10 years	198	115	247,121
10-15 years	3	3	4,663
15+ years	6	3	6,028
With realization of options			

¹⁷ These properties do not include one additional property (that is not a branch) in scope that is immaterial and that is owned by the Group. It should also be noted that Shufersal Real Estate holds 35% of the branch in Psagot Romema. For further details, see Section 9.12.8 below.

Time to contract termination	For year ended on December 31, 2024		
	Area (thousands sqm)	Number of properties	Minimal rent (ILS thousands)
Up to 1 year	0	0	0
1-5 years	77	73	95,282
5-10 years	105	83	122,006
10-15 years	83	72	97,503
15+ years	277	201	317,846

Below are additional details regarding the Group's properties used in the field of activity:

Number of branches	Deal	Sheli	BE	Express	Other	Total
For year ended Dec 31 2024	104	73	99	94	59	429
Opened	1	0	8	7	6	22
Converted to another format	-2	-3	0	3	2	
Closed	-6	0	-2	-5	0	-13
For year ended Dec 31 2023	111	76	93	89	51	420
Opened	3	0	4	5	7	19
Converted to another format	1	-2	0	2	-1	
Closed	0	-3	-2	-4	0	-9
For year ended Dec 31 2022	107	81	91	86	45	410
Opened	3	2	6	6	12	29
Converted to another format	0	0	0	0	0	
Closed	-3	0	-5	-3	-3	-14
Commercial area (thousands of square meters)						סה"כ
For year ended Dec 31 2024	303	78	41	23	97	543
Opened	1	0	4	2	6	13
Converted to another format	-7	-2	0	2	7	0
Closed	-28	0	-1	-1	-2	-32
For year ended Dec 31 2023	339	81	38	20	85	562
Opened	4	0	2	1	9	16
Converted to another format	1	-2	0	1	0	0
Closed	0	-2	-1	-1	0	-4
For year ended Dec 31 2022	334	85	37	20	76	551
Opened	6	2	3	1	9	21
Converted to another format	0	0	0	0	0	0
Closed	-8	0	-1	-1	0	-10

Below is a breakdown of the Company's logistics centers as of December 31, 2023-2024:

	For year ended on (ILS millions)					
	Dec 31, 2024			Dec 31, 2023		
	Total area (thousands sqm)	Total rental expenses (ILS thousandth)	Total depreciatio n expenses	Total area (thousands sqm)	Total rental expenses (ILS thousands)	Total depreciation expenses
Logistical centers, leased	50	26,468	8,670	51	24,788	9,665
Logistical centers, owned	64	-	29,996	64	-	25,558
Total	114	26,468	38,665	115	24,788	35,223

The Group owns additional fixed property, such as fridges, electric equipment, electronic equipment, computers, furniture, registered funds etc. and logistics vehicles. For further information about the Group's fixed assets, see Note 10 of the Financial Statements.

8.20 Intangible assets in the area of activity

The Group has rights in many trademarks that are registered to the Company, most importantly the Shufersal trademark. Other trademarks are also registered to the Company in connection with its private label, services offered by it and its various formats.

For information about intangible assets and deferred costs, see Note 12 of the Financial Statements.

8.21 Raw materials and vendors in the retail sector

8.21.1. Changes to the Network of Vendors and Raw Materials

Over the years, the variety of products in the Israeli food market has been increasing, including due to the development of new products and due to an increase in the import of products into the local market. In the past year, there has been an increase in the prices of various raw products imported by the Group, among other things due to the Russia-Ukraine war and its impact on wheat and corn prices worldwide, as well as due to the war between Israel and Hamas and its impact on the costs and shipping times of imported products, as well as on Israeli agricultural produce in the conflict zones, which was damaged with the outbreak of the war.

8.21.2. Rate of Purchases from Main Vendors

The Group buys products from a wide variety of suppliers, including manufacturers, importers, and distributors in Israel and abroad, for the purpose of selling them through the Group's various formats and digital marketing channels. These products are sold under the various supplier brands and the Group's private label. In 2024, 2023 and 2022, the

Group did not have a supplier of goods from which the Group's purchases exceed 10% of its total purchases.

The purchase rate from the Group's ten largest suppliers constituted around 43% of all the Group's purchases in 2024, similar to 2023.

8.21.3. Forms of contractual engagements with vendors

The Group purchases the products it sells through its commerce department. The commerce department, together with the commerce managers in some of the formats who jointly conduct independent commerce regarding some of the products unique to those formats, decides the mix of products to be marketed by the different format branches and its online activity, and it negotiates with vendors on product purchase prices, discounts for promotions, and payment terms. The Group enters into agreements and/or correspondences with its vendors, usually for one year (some engagements are made for more than a year). The Group has agreements with most of its vendors on regular supply of products according to the Group's request based on demand assessment of its customers on the different formats. The Group has understandings or written agreements with those vendors regarding the commercial terms relating, among others, to discounts the Group is entitled to receive from these vendors, including discounts for distribution (in cases where the goods are distributed through the Group), the management and shelving fee (see Section 8.24.3 below) and more. Pursuant to the provisions of the Food Law, all discounts that the Group receives from its suppliers are part of the purchase price per unit of commodity. The customary work method is that the Group issues orders to vendors for various products, and they confirm acceptance and performance. Generally, the Group has no agreements that compel it to buy products. Relationships with most Group vendors span many years.

The Group engages with several vendors that manufacture a variety of branded products sold under the private label (the "Private label Agreements"). According to the Private label Agreements, the Group owns the exclusive intellectual property rights in the private label products, specifically regarding the name of the product and package design. The Private Label Agreements set forth the parties' contractual engagement period and the manufacturer's liability for the quality of the products it provides.

The Group occasionally aligns its vendors and/or the products it sells based on criteria such as quality, compliance with supply dates, price, sales levels, and profitability. Such alignment does not harm the Group's activity.

8.21.4. Dependence on Vendors

Generally, the Group avoids becoming dependent on a single vendor, and works to diversify its vendors, as much as possible.

The Company purchases most of the dairy products from Tnuva, a leading local dairy producer. With respect to dairy products, if Tnuva stops supplying dairy products to the Group, for whatever reason, other vendors shall be able to cover demand only partially, consequently the Group is dependent on Tnuva for dairy products.

In 2024, dairy product purchases from Tnuva accounted for approximately 6.7% of the total purchases of products in its area of activity (compared to 6.4% in 2023).

It is further noted that the Group has an engagement with Tnuva for regular supply of products. This engagement does not include any undertaking to buy particular quantities. The commercial terms include, inter alia, fixed discounts regardless of purchase targets.

In the Company's assessment, Be Pharm may be dependent on Salmon Levin Elshtein (SLA), Novolog (Pharm Ap 1966) Ltd. and Chemipal Ltd. with respect to the purchase of drugs sold by Be Pharm to HMO customers.

Except as stated in this section above, the Group does not as a rule depend on additional vendors, because all the products Group supplied by the Group's vendors can be substituted at similar terms. Sometimes, the termination of engagements with a particular vendor could cause temporary harm, due to consumer loyalty to a particular brand such vendor supplies, although the Group offers substitutes to such brand. That being said, according to the Group's estimates, and based on its past experience, no significant and ongoing damage is expected to the Group's revenues and/or profitability due to replacement of vendors, even if they are among the Group's largest vendors, given the existence of a wide range of products and the Group's private label products.

8.22 Working capital in the area of activity

Summary of the Group's working capital composition in the area of activity

The Group's working capital in the area of activity mostly includes inventory, customer credit, and vendor credit, as follows:

Inventory: Timing of purchases for inventory and the quantities purchased by the Group are made according to products, based on its experience, and relative to the pace and volume of sales at the Group's branches, considering product availability, timing of the holidays and the exercise of attractive purchase offers,

in the marketing plan of the Group's various formats, in global and local market conditions, and more. In 2024, the Group held inventory of products, for sale at the Group's branches, for an average period of approximately 30 days compared to 32 days in 2023. The Financial Statements present the inventory at cost or at net exercise value, according to the lower. The Group has agreements opposite some of its vendors that prevent it from returning expired products or products not purchased by the consumer public. Also, private label products, products the imported by the Group, products purchased in the framework of a designated transaction, and additional products the Group purchases from a limited number of vendors, are nonrefundable. The total net expense recorded in the Financial Statements, for all products that were defective, expired and/or not purchased by consumers and could not be returned to the vendors, was immaterial with respect to all purchases from vendors. Also, for some vendors, the Group reserves the right to return products to the vendor. In these instances, the vendor credits the Group for the product purchase amount.

Vendor credit: The Group receives credit from its vendors (trade and others), according to agreements with different vendors, for varying terms, according to the type of engagement, mostly for an average period of net + 39 days (compared to 37 days in 2023). It should be noted that during the second half of 2024, the Group worked to improve credit terms with its vendors.

Customer credit: Most Group sales are made to individual customers, and against credit cards, cash, checks, and vouchers. Customer credit terms are according to the market standard, based on the payment method and the purchase amount. Most sales are made using cash or credit cards. The balance of bad debt arising primarily from sales to business customers as of the Report date is estimated at approximately ILS 42 million. The Group manages the credit risks of its business customers and even insures most of them under credit insurance.

For additional details regarding the Company's working capital, see Section 1.3 of the Board of Directors' Report.

8.23 Environmental risks in the area of activity and management thereof

For additional details regarding environmental risks in the field of activity and methods of managing them, see Section 15 below.

8.24 Limitations and supervision of the Group's operations in the field of activity

8.24.1. The Law for the Promotion of Competition and the Reduction of Concentration, 2013 (the "Concentration Law")

In summary, the Concentration Law includes three main chapters: (a) limiting control over companies in a pyramidal structure; (b) weighing considerations of economy-wide concentration and considerations of industry competitiveness in the allocation of rights (as defined in the

Concentration Law); and (c) separating significant real corporations from significant financial entities (as defined in the Concentration Law).

With respect to the chapter discussing considerations of economic-wide concentration and considerations of sectoral competitiveness in the allocation of rights, in general, the provisions of the Concentration Law require regulators with the authority to allocate rights in certain public assets (including in the communications, energy, transportation, natural resources, etc. sectors) (“**Regulator**”) to account for considerations for encouraging sectoral competition and reducing concentration in the economy when allocating rights in said assets to private entities and especially to centralized entities (including prior to extending the validity or renewal of a right that has been allocated as aforesaid). In addition, the Regulator must take into account considerations for promoting sectoral competitiveness in relation to the allocation of a right (including a license, authorization, franchise or permit) even outside the aforementioned sectors, in cases where, due to the nature of the right, its economic value or the law applicable to it, the number of operators in the sector for which it is allocated is limited.

In another chapter, the Concentration Law establishes provisions regarding the separation between significant real corporations and significant financial entities, including a provision that a significant real corporation or one that controls it shall not control a significant financial entity and shall not hold in said entity means of control beyond certain percentages.

The Committee for Reducing Concentration publishes in the Publications Bulletin the lists of concentrated entities, significant real corporations and significant financial entities according to the Concentration Law. As of the date of the report, the Company (including companies under its control) is included in the list of significant real corporations, and accordingly, it is also included in the list of concentrated entities.

8.24.2. Law for the Promotion of Competition in the Food and Pharmaceutical Industries, 5774-2014 (above and hereinafter referred to as the “**Food Law**”)

In summary, the Food Law includes three sets of provisions: [a] provisions regulating the activities of suppliers and retailers, including the activities of a large retailer (defined as any of the following: (1) a retailer who owns at least three stores whose total sales turnover in the previous fiscal year exceeds ILS 286 million per year and (2) a retailer

who owns an online store whose total annual sales turnover in Israel from the online store, and if it also owns one or more offline stores – together with its income from it and from commodities that a supplier sold in the retailer’s store, in the previous fiscal year, exceeds approximately ILS 286 million per year (“**Large Retailer**”)¹⁸ and the activities of a large supplier (defined as a supplier whose sales turnover to retailers, or through retailers, in Israel, in the previous fiscal year, exceeded ILS 344 million per year or a supplier who has a monopoly with respect to a particular commodity for which a monopoly has been declared); [b] provisions regarding geographic competition of retailers; and [c] provisions regulating price transparency.

On July 4, 2024, Amendment No. 8 to the Food Law was published in Official Gazette, which extends the application of the Food Law to the pharmaceutical industry. Some of the provisions of the amendment went into effect immediately upon their publication in the Official Gazette, and some in January 2025. The amendment defined that the provisions of the conduct chapter of the Food Law would also apply to large pharmaceutical retailers (pharmaceutical retailers whose sales turnover exceeds the amount set in the definition of a Large Retailer) and to large suppliers that contract with large pharmaceutical retailers. This amendment did not substantially change the application of the Food Law to the Be Pharm format – to which most of the provisions of the Food Law applied prior to this amendment (except, for example, the application of the Food Law also in relation to the pharm store), given that it was part of the group. Provisions were also established in this regard regarding geographic competition in the pharm industry, and a temporary provision was established that stipulates the obligation to apply to the Authority for approval to open a pharm store if the conditions in the law are met. For further details, see Section 8.24.5 below. In addition, a prohibition was established on a large pharm retailer from signing an exclusivity arrangement in real estate or extending such an arrangement in relation to a pharm store.

8.24.3. A set of provisions in the Food Law that regulate the activities of suppliers and retailers

The Food Law includes provisions regulating the activities of suppliers and retailers. These provisions establish, inter alia: [1] prohibition on a supplier from intervening in any way with the retailer

¹⁸ In November 2024, the Israel Competition Authority published an updated list of large retailers for 2023, as defined in the Food Law, with the Company also included in this list.

regarding the consumer price that the retailer charges¹⁹ for the goods of another supplier or the terms of that sale; [2] prohibition on a retailer from intervening in any way with the supplier regarding the consumer price that another retailer charges for a commodity or the terms of that sale; [3] prohibition on arranging commodities or interfering in the arrangement of commodities in the store of a large retailer by a large supplier; [4] prohibition on any intervention by large suppliers in the price of the commodity charged by the retailer for the goods of that supplier, in the allocation of sales space in any proportion to the supplier's goods, in the purchase of a commodity that the supplier supplies in any volume of the retailer's total purchases of the commodity and of substitute commodities; and in the purchase or sale of goods that another supplier supplies to the retailer, including quantities and purchase targets, the sales area allocated to them in the store and any other commercial conditions; [5] provisions regarding prohibited pricing and illegal restraint by a large supplier as follows: (a) prohibition on a large retailer and a large supplier being a party to an arrangement between them that results in prohibited pricing (generally, the intention is to prohibit the pricing of a basket of products in such a way that any of the products in the basket will be priced at a price lower than the marginal cost or the pricing of products or a basket of products in such a way that forces the purchase of the entire basket of products offered or the purchase of minimum volumes of products. This is done by pricing a smaller number of units or a basket with a more limited composition at an equal or higher price); (b) prohibition on a large supplier making the sale of its product to a retailer conditional on the purchase of another product from the same large supplier; [6] the provisions of Sections 8(c1) and 8(c2) which entered into force on February 1, 2024, stipulate that: [a] a major supplier shall not condition the granting of a discount to a major retailer included in the list, for a commodity of its own, directly or indirectly, in money or money's worth, on the purchase of another commodity of that major supplier (in this section – a prohibited discount); [b] a major retailer shall not be a party to an arrangement with a major supplier included in the list, the result of which is a prohibited discount; [7] a supplier is prohibited from transferring payments (in cash or in kind) to a large retailer, except for exceptions stipulated by law. The Food Law clarifies that the prohibition does not prevent a reduction in the price of a unit of a commodity; [8] it is also stipulated that the Commissioner may give a large retailer that sells a commodity from a large supplier instructions regarding the steps it

¹⁹ “Commodity” was defined as food and any other product sold in a store, except electronics, textile products, office supplies, household items, books and newspapers.

must take in relation to that commodity or in relation to substitute commodities for that commodity, all in order to prevent harm to competition or to increase competition.²⁰

Due to the fact that within the framework of the Group's business in the "Shufersal Business" sector, products are sold, among others, to retailers, the relationship between the Group as a vendor of products and the retailers who purchase those products is also subject to the provisions of the Food Law.

As of the report date, the Group meets the definition of "large supplier" and is included in the Israel Competition Authority's list of large suppliers published in May 2024.

8.24.4. Set of provisions regarding geographic competition among retailers

In the set of provisions regarding geographic competition of retailers (which came into effect immediately upon the publication of the Food Law in the Official Gazette), arrangements were established that aim to promote and ensure competition in food retail marketing at the regional level, including: A large retailer (for the purposes of this set of provisions, a Large Retailer is as defined above or a retailer that owns at least one large store (a store with a sales area of at least 250 square meters) whose sales turnover, in the previous fiscal year, exceeded ILS 100 million), whose sales turnover rate from its large stores in the competitive group²¹ of that store (including from that store) in relation to the total sales turnover of the large stores in the competitive group (including that store) (the "**Calculated Rate**") exceeds 30%, who wishes to open an additional large store in the relevant demand area for that store, will be required to request the approval of the Commissioner to do so. The Commissioner will not approve the opening of the store as aforesaid, unless he finds that there

²⁰ Section 11 of the Food Law states that if the Commissioner sees that, as a result of a Large Retailer's conduct in relation to the private label products it sells, there is concern about significant harm to competition or the public, then he may give instructions to that Large Retailer regarding steps it must take to prevent such harm.

²¹ On November 25, 2014, the Commissioner published the Methodology Report for the Implementation of the Geographic Competition Chapter between Retailers under the Food Law. In this report, the Commissioner defined, in accordance with the authority granted to him by law, what the "competitive group" is with respect to a large store of a Large Retailer. In accordance with the definition established, the competitive group will include stores of Large Retailers whose population in their demand areas overlaps with the population in the demand area of the store under examination, at a rate exceeding 20%; indeed, in this report, the Commissioner defined a "demand area" with respect to a large store of a large retailer, in accordance with the assessment of the travel time to it according to the criterion of the size of the store and the population density in its vicinity, and in a manner based on the statistical area in which the store under examination is located and the statistical areas surrounding this area.

is no reasonable concern that the opening of the store will harm competition. In the event that the Commissioner determines that the Calculated Rate of that retailer in the demand area exceeds 50%, the Commissioner will not approve the opening of another large store in the demand area relevant to that store, unless he finds that there is a near certainty that the opening of the store will not harm competition.

It was also determined that a Large Retailer who has received a notification from the Commissioner that its calculated share for a particular demand area exceeds 30% shall not enter into an arrangement whose subject matter, purpose or effect is to restrict other retailers from entering into a contract to make a transaction in or regarding real estate, including the purchase, sale, lease or rental of real estate, or to establish a large store or any competing activity in the food industry in the demand area of the store to which that competitive group relates, nor shall it extend such an arrangement.

On December 26, 2024, the Company received notice from the Israel Competition Authority regarding the Company's large stores (the "**Demand Areas Notice**"). According to this notice, the number of large stores whose Calculated Rate (as defined above) exceeds 30% but is less than 50% is 42 large stores, and the number of large stores whose Calculated Rate exceeds 50% is 20 large stores.

The provisions of this chapter may adversely affect the Group when opening up new large stores.

8.24.5. Set of provisions regarding geographic competition of large pharmaceutical retailers

Amendment 8 to the Food Law established a temporary provision for five years (starting in 2024) during which a large pharmaceutical retailer (as defined in the Food Law) who wishes to open a pharmaceutical store (as defined in the Food Law) in a commercial center (as defined in the Food Law) will submit an application to the Commissioner when opening an additional pharmaceutical store within a radius of one kilometer from an existing pharmaceutical store – in a large local authority, or within two kilometers in a small local authority – as applicable. Upon the expiration of the temporary provision, a large pharmaceutical retailer will be required to conduct a self-assessment of whether the opening of the store may give rise to a reasonable concern about harm to competition.

8.24.6. Set of provisions regarding price transparency

In the set of provisions regarding price transparency, arrangements have been established to increase the transparency of prices of

commodities by requiring a Large Retailer (for this purpose, a Large Retailer is as defined above, provided that if it owns stores that are not online, the average sales area exceeds 120 square meters) to make publicly available a computer-readable file as defined in the Computer Law, 5755-1995, online and at no cost to the consumer, and in a manner to be determined by regulations, various data relating to the prices of commodities that it sells in its stores, so that price comparisons with other retailers will be possible. The publication will include the list of commodities sold in the store, the prices of the commodities, including prices for different types of consumers, and any special sales, including promotions and discounts, including their terms and expiration dates.

The Company publishes online the prices of the commodities (as defined in the Food Law) it sells.

8.24.7. Provisions regarding parallel applicability of the Food Law and the Economic Competition Law

In December 2015 the Commissioner published a position statement regarding the parallel applicability of the Economic Competition Law and the Food Law. The position statement enumerates inter alia cases with respect to which only Food Law statute will apply and where further regulation under the Competition Law will not be required. For further information see Note 29(b) of the Financial Statements.

8.24.8. Consent order regarding land exclusivity arrangements

According to the consent order dated November 19, 2018, by the Competition Tribunal, which approved agreements between the Company and the Commissioner, the Company cancelled all the land exclusivity arrangements it was party to. According to the order, the Group shall be permitted to contractually engage in the future in land exclusivity agreements relating to a limited number of new branches and for a limited period, and under the terms to be set forth. That is, there is no material effect on the Group's activity and the results of its operations.

8.24.9. Vouchers and gift certificates

In November 2023, the Payment Services (Exemption from the Provisions of the Law) (Amendment) Regulations, 5784-2023, were published in the Official Gazette, which were intended to exempt various means of payment from the provisions of the Payment Services Law, 5779-2019 (the "**Exemption Regulations**").

In accordance with the Exemption Regulations, exemption from the application of the Payment Services Law has been extended to a number of payment methods, including the various shopping vouchers and gift certificates given to employees in preparation for the holidays and redeemable in various chains. With respect to this payment method, which is not intended for use by a specific payer, according to the terms of the contract that determines the terms of use thereof, where the maximum amount that can be accumulated in it is ILS 1,500, it cannot be reloaded with accumulated value, and it is charged immediately against the accumulated balance and deferred payments cannot be made with it – the exemption period has been extended until May 13, 2025.

If the exemption according to the Exemption Regulations is not extended after the end date of the exemption, the full provisions of the Payment Services Law may apply to purchase vouchers and gift vouchers, which establish various consumer provisions, including, among other things, the obligation to execute a contract with the end user, theft or loss, billing dates, freezing of the said means of payment, etc. At this stage, the Company is unable to assess whether or not the exemption will be extended.

On June 6, 2024, the Payment Services and Payment Initiation Services Regulation Law, 5783-2023 (“**Payment Services Regulation Law**”) came into effect. According to the Payment Services and Payment Initiation Regulations (Exemption from Licensing Obligation) Regulations, 5784-2024, issuers of payment instruments (vouchers) will be exempt from licensing obligations until June 6, 2027. The Group is examining the effects of the provisions of the Payment Services Regulation Law on this activity.

8.24.10. General

The Group’s retail operations are subject to various laws, primarily consumer protection laws, laws relating to competition (see Note 29(b) of the Financial Statements), including the Food Law and its regulations, health-related legislation and labor laws. Material laws that affect the Group’s activity (on top of the Food Law and the Competition Law) include, *inter alia*, the Liability for Defective Products Law, 5740-1980, the Consumer Protection Law, 5741-1981, and its regulations (concerning, *inter alia*, the prohibition on misleading consumers, provisions regarding product marketing and price display, and provisions regarding cancelling transactions), the Communications Law (Bezeq and Broadcast), 5742-1982 regarding the Group’s direct mailing efforts, the Equal Opportunity for People

With Disabilities Law, 5758-1998, the Protection of Public Health (Food) Law, 5776-2015, the Control of Prices for Goods and Services Law, 5756-1996 (as of December 31, 2024, approximately 4.2% of the Group's sales in the area of activity are sourced from products that are subject to such supervision), the Beverage Containers Deposit Law, 5759-1999, and various labor laws including – the Employment by Manpower Contractors Law, 5756-1996 (as of December 31, 2024, the Group has 1,727 contractor workers (including workers at franchise branches, and excluding service providers) that have been placed by manpower contractors), including the expansion order regarding contractor employees in the cleaning industry in the private sector, the Minimum Wage Law, 5747-1987 (most Group employees are paid the minimum wage, in this context, see Section 7 above) the Law for Increasing Enforcement of Labor Laws, 5772-2011 (aimed, among other things, to increase efficiency and enforcement of labor laws), and the Equal Pay for Male and Female Workers Law, 5756-1996. In addition, as part of the Group's Customers' Club activity, including in connection with the credit card holders, the Group is also subject to the Payment Services Law²² and to the Protection of Privacy Law, 5741-1981,²³ because of its Customers' Club activity, and because of the credit card holders. Also, the Group is subject to the Pharmacists Ordinance [New Version], 5741-1981, and the regulations thereunder, and to the guidelines and instructions of the Ministry of Health in connection with the pharmacies the Group operates with and in connection with the sale of medicinal cannabis.

Each Group branch is required to obtain a business license according to the Business Licensing Law, 5728-1968. As of the Report Date, the Group has 1 branch that is subject to legal proceedings concerning their business license, against the Group and its functionaries. It is noted that the activity of such branches is operating as usual, and the Group is acting for obtaining or renewing a business license therefor. In addition, the Group is constantly and during the ordinary course of business acting for arranging business license for all its different format branches. In the Group's estimate, the foregoing does not materially affect its activity.

The Group's production activities, especially Gidron's activity and the Group's private label, require it to comply with various standards that apply to production activities. The Group makes sure all products manufactured for it comply with all legal and regulatory requirements.

²² In connection with the Group's voucher activity; see also Section 8.24.9 above in this regard.

²³ It is noted for making the picture complete, that regulation regarding the issue and operation of credit cards and providing consumer credit does not apply to the Company.

The Group must also meet various quality assurance requirements on the various products it sells at its branches.

It is further noted that generally, liability for a product under law applies to the manufacturer and/or the importer. It might be imposed on the marketer if it is impossible to identify the manufacturer and/or importer.

To the best of the Group's knowledge, it is generally in compliance with the various material legal and regulatory requirements that apply to it.

9. **The Real Estate Area**

9.1 General information about the area of activity

The Group's real estate activity is for the most part concentrated carried out through a fully owned subsidiary, Shufersal Real Estate Group, and includes management, development, betterment and initiation of real estate properties. In this framework, commercial, employment and office areas are leased out to third parties and to the Group's retail activity. This area of activity includes the real estate properties owned by Shufersal Real Estate (directly and indirectly) that are leased out to the Group (mainly branches) (such properties are classified as investment real estate in the financial statements of Shufersal Real Estate, and in the financial statements of the Company as fixed assets or as right of use assets with respect to properties leased from the Israel Land Authority), and real estate properties owned by Shufersal Real Estate (directly and indirectly) leased out to third parties (classified both in the financial statements of Shufersal Real Estate and in the Company's financial statements as investment real estate). The real estate area includes the real estate properties in Shufersal Real Estate, and the Company's proportionate share in investment real estate in a subsidiary fully owned by it, which is also included in the investment real estate.

The assets of the real estate area of activity do not include the logistical centers owned by the Group in Shoham and in Rishon Lezion (including its adjacent branch), and they do not include the Group's rights in the automated shipping center in the Modiin industrial zone. Such assets are owned by the Group not through Shufersal Real Estate, and because they are used by the Group, they are classified in the Company's financial statements as fixed assets or as right of use assets with respect to properties leased from the Israel Land Authority.

See below data on the real estate properties attributed to the real estate activity, as of December 31, 2022:

	Number of properties	Total area (sqm thousands) ⁽⁶⁾	Fair value (ILS million)	Annual rent and annual management fee (ILS millions) in 2022 ⁽²⁾	NOI (ILS millions) ⁽³⁾	Average yield**	EBITDA (ILS millions) ⁽⁷⁾	FFO (ILS millions) ⁽⁸⁾
Real estate properties leased by Shufersal Real Estate Group to the Company (mostly branches) ⁽¹⁾	69	130	2,269	152	145	6.9%	-	-
Properties under construction (properties to be leased to externals) ⁽⁴⁾	1	5	48	-	-	-	-	-
Real estate properties leased to externals	25	113	1,492	116	81	6.3%	-	-
Total	95	248	3,809	268	226	6.7%⁽⁴⁾	201	143

- (1) As stated above, the fair value presentation regarding these branches is according to the presentation of these properties in the consolidated financial statements of Shufersal Real Estate. In the Company's Financial Statements these properties are classified according to their depreciated purchase cost and not at fair value. The balance of the reduced costs in the Company's financial statements is approximately ILS 955 million.
- (2) Including revenues for miscellaneous.
- (3) NOI for income producing properties is not a financial index based on the generally accepted accounting principles. The index is all operating income recorded in Shufersal Real Estate's financial statements for the property, save for revenue deriving from attributing changes in fair value to the profit and loss statement, and less all operating expenses recorded in Shufersal Real Estate's financial statements for the property, save for depreciation expenses (if any).
- (4) Excluding the fair value of the properties under construction.
- (5) No including parking areas in scope of approximately 66,000 sqm.
- (6) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is not a financial index based on accepted accounting rules; and index is the accounting operating profit for the period before other revenues (costs), and less depreciation and amortization. It is noted that the EBITDA data above refers to the adjusted data of data from the consolidated financial statements of Shufersal Real Estate.
- (7) FFO (Funds From Operation) is not a financial index based on accepted accounting rules; the index is the net accounting profit for the period, less profits or losses from selling properties, changes to fair value of properties recognized in comprehensive profit, various depreciation and amortization, expenses and revenues from deferred taxes and other additional revenues or expenses that are non-cashflow in nature. It is noted that the FFO data above refer to the adjusted data of data from the consolidated financial statements of Shufersal Real Estate.

In March 2023, the Company and Shufersal Real Estate (directly and indirectly) entered into addendums to current lease agreements (updating the current agreements between the parties in effect since January 1, 2023) whereby the Company shall continue to lease the properties from Shufersal Real Estate (for

the most part branches) that it uses. According to the Revised Agreement, the rental fees were updated so as to reflect market conditions, and the lease period was extended so that it would be counted anew starting January 1, 2023, and afterwards additional lease periods would apply that would end 24 years and 11 months after the commencement of the lease period. For further details, see Note 31 to the Financial Statements.

See below details on the projected revenues in the area of activity for signed lease agreements with the Group:

Revenue recognition period		Revenue (ILS millions)*	Number of branches for which the contract ends	The area subject of agreements ending (sqm thousands)
2025	Q1	37	-	-
	Q2	37	-	-
	Q3	38	-	-
	Q4	38	1	1
2026		146	146	1
2027		142	145	2
2028		140	141	1
2029 and onwards**		407	281	64
Total		983	863	69

* The revenue also includes management fees paid by the Group to Shufersal Real Estate; the data includes 50% revenue from the Kurdani branch that is 50% owned by Shufersal Real Estate; the data includes 35% revenue from the Romema branch that is 35% owned by Shufersal Real Estate.

** Assuming all options in all agreements are exercised, the revenues due for 2029 onward are approximately ILS 3,349 million.

Details and description of the area of activity in Sections 9.1 to 9.19 (inclusive) of the Report refer to the investment real estate activity that is included in the real estate activity area and leased to third parties (i.e. real estate that Shufersal Real Estate does not lease out to the Group for use as branches, as described above). These real estate properties are classified in the Consolidated Financial Statements of the Company and in the financial statements of Shufersal Real Estate as investment real estate. The description below is according to the Draft Regulations published by the Israel Securities Authority for anchoring disclosure provisions with respect to investment real estate activities in regulations from December 2013.

9.2 Structure of the area of activity and changes thereto

The real estate sector is characterized by companies engaged both in construction and in development in the commercial income-producing real estate sector. The commercial income-producing real estate sector is affected by changes in demand that result, *inter alia*, from alternative investments in various financial channels, and by changes in government policy, such as: the scope of

public construction, investments in infrastructure, the Israel Land Authority's land marketing policy, and the pace of project planning and licensing processes.

Activity in the real estate area is affected by other factors, such as: growth rates and the scope of activity in the market; the security situation, and in particular the effect of the war) on the construction industry; economic uncertainty in the market; availability of credit sources (including terms and price); interest rate policy and exposure to rising interest rates in the market which could affect the scope and pace of activity, even though most of the Group's properties are not leveraged and/or pledged; regulation; and restrictions imposed on the banking system by the Bank of Israel with respect to the scope of credit for construction and on "sole borrowers" and "groups of borrowers" that also affect activity in the area of activity.

Fair value of investment real estate is periodically determined by external independent assessors, with appropriate skills and experience for the type and location of the properties being assessed. According to policy, in 2024 the Group updated the valuations of the Group's properties. As part of such valuations the Group mostly updated estimates of projected cashflow from its properties, which were affected among others from the increase of the consumer prices index during 2024. In addition, valuations conducted according to the extraction method (mainly properties under construction and building rights) were affected by the increase in execution costs.

As of the Report date, the uncertainty in the Israeli market continues with regards to the expected implications (economic and otherwise) of the war. For details see Section 7.1 above.

9.3 Restrictions, legislation, standards, tax consequences, and special constraints that apply to the area of activity

In general, the Company's activity in the area of real estate is subject to restrictions by virtue of land laws, (national and municipal) land taxation, planning and building laws, laws relating to safety at work, labor laws, legislation relation to quality, etc.

The Planning and Building Law, 5725-1965, and the regulations promulgated thereunder, set forth provisions and regulations related to planning and building processes, plans according to which land designation is determined, building rights etc., licenses and permits required in order to exercise building rights and their issuance terms. Schedule Three to the aforementioned law relates to the applicability of the land betterment tax and exemptions therefrom, resulting from exercising building rights. Often, the Group is required to act for changing the designation of properties it owns or alternatively exercise building rights according to valid city building plans for which no land betterment tax has been

paid in the past. Such changes involve, often, payment of various fees and levies, including land betterment tax in accordance with the above legislation.

The issue of taxation has an effect on activity related to investment real estate. Legislation on land taxation, purchase tax and betterment tax could be relevant to the activity of the Group, in terms of tax implications of leases for periods exceeding 25 years, and should the Group acquire or sell real estate properties, with respect to the consideration received from selling the property or the consideration paid in buying it as applicable. Also, changes in the rates of purchase tax, or betterment tax or alternatively the land betterment tax or payments to the Israel Land Authority, as may be required, affect the advisability of investing in income producing properties, improving, and selling them.

9.4 Changes to the scope of activity in the area and its profitability

A slowdown in the real estate area and in the economy might cause an increase in risk levels, exposed to by property owners, due to a decrease in occupancy of leased areas and lower rental fees, and as result could influence the risk and returns required in real estate transactions and lead to lower demand. Increasing interest rates in the market and difficulty in raising investment capital could also lower demand in the area. The inventory of office space, which is continuously growing in scope could also affect the profitability of income producing real estate companies in this sector. In addition, the war also has impact on the real estate sector, which is reflected, inter alia, in lacking manpower in the construction industry, which affects the rate of building. The retail center sector is demonstrating stable demand for areas in such centers; however, indications of an economic slowdown and public discourse regarding the cost of living in Israel could affect it. As of the Report Date, no material effect of the war was evident in the results of this activity area. The Company estimates that insofar as the restrictions on the Group's activity are not worsened, and there is no real deterioration in the security and/or economic situation in the country, no material effect is expected on the area of activity and on its financial results due to the war.

9.5 Critical success factors in the area of activity and changes thereto

The advisability of investing in real estate is measured in terms of return on investment, meaning the yield (derived from risk-free interest and the premium on the risk) on the property (usually rental fees) relative to the investment in it. The cost of raising foreign capital is very significant when examining the advisability of investing in income producing properties. Risk is an important component when examining the advisability of investing in an income producing property, so are the terms of engagement with various tenants and their financial robustness. The ongoing costs of maintaining the property, in addition to the cost of investing in the acquisition, compared to the income

received from the property, constitute an important metric for examining the advisability of investment.

The location and quality of income producing properties affects their attractiveness very much. There is more demand for properties in attractive areas, and it is possible to charge higher rent for them.

9.6 Main barriers to entry and exit in the area of activity and changes thereto

9.6.1. Barriers to entry

Investing in real estate properties requires financial resources and financial robustness, for financing the purchase of the real estate, construction costs and providing investment budgets for lessees of income generating properties upon the first population of areas under development. Thus, entities that do not have such resources shall have difficulties acting in this area in periods of domestic and global economic slowdowns.

In addition, professional knowledge and experience are required in order to find, develop, manage and operate real estate properties.

9.6.2. Barriers to exit

Several relevant barriers to entry may apply in this activity area, inter alia, that depend mainly on the ability to realize assets, which is affected primarily by the following: (1) supply and demand conditions; (2) conditions and limitations by virtue of town building plans or by virtue of the terms of engagement in tenders; (3) approval of financing entities; (4) various realization costs, including in connection with land taxation; (5) long-term contractual obligations to rights owners, lessees and authorities; (6) long time tables for the execution of projects.

9.7 Competition in the area of activity and changes thereto

For details on the competition in this area, see section 9.18 below.

9.8 The geographical regions in which the company is active in the area of activity

As of the Report Date, the Group is active throughout the country, without preference for particular regions. The Group has rights in real estate located in the center of the country, its north and south, in urban areas and other areas, while the Group's northernmost property is found in Nahariya and the southernmost property is in Mitzpe Ramon. The Group considers the entire State of Israel as a single region of activity in connection with its income producing real estate properties.

9.9 Managing the real estate activity in the region of activity

This area of activity relates to the construction, lease and management of income producing real estate, including the real estate serving the retail activity of the Group. Normally, Company branches are located as a part of a complex. In addition, the activity area also includes promoting and exercising available building rights, examining possibilities to increase building rights in existing properties, and as part of this, the Group operates vis-à-vis planning bodies in local committees and with local authorities, for the betterment of properties and acquiring more income producing real estate properties. The properties are managed directly by the Group or through external management companies.

In addition, in the framework of such proceedings conducted vis-à-vis local planning committees and local authorities, the Group is required, from time to time, to deliver to the planning committees indemnity letters not limited in amount for claims under the planning and building law, with respect to the plans it is promoting. In the Group's estimate, as of the report date, the exposure expected to the Group due to such letters of indemnity is immaterial.

9.10 Types of properties in the area of activity

The properties included in the area of activity mostly include properties leased to the Group for its retail activity, as stated in Section 9.1 above, and commercial centers, retail areas and offices. Most of the properties are located in urban areas, catering to the basic needs of the surrounding and nearby population. Of all such properties, Shufersal Real Estate has (directly and indirectly) rights of perpetual lease in a complex that includes high-tech industry and retail areas with a total constructed area of approximately 34,000 sqm. In addition, Shufersal Real Estate holds (directly and indirectly) 58.73% of a shopping mall that includes approximately 32,000 sqm retail area. For further details, see also Section 9.12.3 below.

9.11 Development and betterment of properties

9.11.1. Mix of tenants: the Group prefers to hold centers that have a Company branch, out of the various formats of the Group, as an anchor, surrounded by other tenants. The properties held by the Group are leased out, *inter alia*, to drugstore chains, to electric appliance chains, clothing and fashion chains, restaurant chains, do-it-yourself chains, banks, HMOs, and offices.

9.11.2. Investment criteria: The following parameters, among others, underlie the considerations for purchasing new income producing properties or investing in improving existing properties: The necessary investment for purchasing/improving the land; current/future returns on the property; properties that generate a fixed income or cash flow, with an emphasis on preferring financially resilience tenants; a focus on urban

neighborhoods; potential for value-adding and fully utilizing current and future building rights; and the possibility of adding a Company branch or branches from the Group's various formats (if none exists); synergy with the Group's activity.

- 9.11.3. The purchase phase in the property lifecycle: The Group is acting to locate and examine properties for acquisition, which include, inter alia, commercial properties, while focusing on neighborhood centers, commercial areas designed for the Group's branches, or any other business real estate (offices, logistics, and so forth.), as well as lots designated for this purpose.
- 9.11.4. Improvement of properties and land: The Group operates to improve properties by way of realizing existing rights and/or enhancing rights by way of town building plans and/or regulation of ownership in land.
- 9.11.5. Property realization policy: The Group examines from time to time business opportunities in order to realize specific properties profitably.

9.12 Material changes at the base of the business activity in the area of activity in the past three years

- 9.12.1. In March-April 2024, population approvals were received for a project in Raanana, which was constructed under a combination agreement and joint transaction agreement with Gav Yam Bayside Land Corporation Ltd. ("**Gav Yam**") (Shufersal Real Estate's share in the project – 30.5%). The project includes two structures with a total aboveground area of approximately 40,000 sqm, of employment and commercial areas, and approximately 33,000 sqm underground. Immediately before the Report Date, 58% of the areas in the projects have been marketed. For further information, see the Company's (amended) current report on assembling the general meeting to approve such engagement, dated May 27, 2018 (Reference No.: 2018-01-051457).
- 9.12.2. Further to the Company's contractual engagement dated July 5, 2022, through a wholly owned company, with Ephraim Rogovin Ltd., in a combination and joint transaction agreement with respect to the land owned by the Group and located in Kfar Sava Junction, for the purpose of building a project that was expected to be built according to a combination rate of 67% to the developer and 33% to the Company, pursuant to their terms, on December 31, 2024, the parties agreed to cancel the agreements.

As the result of cancelling such agreements, the Company recognized in 2024 a loss from depreciation (less tax effects) in the amount of ILS 38 million (before tax), which was included under the item of change in the fair value of investment real estate, net. For further details, see the Company's current reports dated July 6, 2022, and December 31, 2024 (Reference Nos.: 2022-01-070731 and 2024-01-629033, respectively).

- 9.12.3. On July 6, 2022, the Group contractually engaged, through a wholly owned company, with Menora Group and Ram Control, Finance and Investments (2017) Ltd. ("**Ram Control**") in an agreement pursuant to which the Group and Ram Control shall purchase all holdings (37%) of Menora Group in Lev Hamifratz (including shareholder loans provided by Menora Group to Lev Hamifratz and a capital note issued to Menora by Lev Hamifratz), relatively to the rate of their holdings in Lev Hamifratz, for a total consideration of ILS 102 million (of which, the Company's share is ILS 60 million). On October 2, 2022 (after receiving the approval of the General Director of the Competition Authority, in September 2022), the transaction was completed, and as of the Report Date, the Group and Ram Control hold 58.73% and 41.27%, respectively, of the issued capital and voting rights in Lev Hamifratz. Accordingly, since October 2, 2022, Lev Hamifratz is presented as a consolidated company of the Company. There is a shareholder agreement between the shareholders of Lev Hamifratz which includes, inter alia, provisions on the right of first refusal granted to the shareholders in case of the sale of Lev Hamifratz shares; provisions regarding the appointment of directors; and resolutions that require unanimous consent.
- 9.12.4. On September 8, 2022, the Group entered into a sale agreement and a sharing and joint transaction agreement with Reisdor Ltd. (in this section, the "Developer"), with respect to land owned by the Group in Nahariya. Under the agreement, the Developer would be entitled to receive some of the Group's ownership rights in the land that reflect all rights to build housing units on the land under the new CBP, if it is authorized, in exchange for ILS 62 million (ILS 8 million out of the consideration will be paid by providing construction services to build a new store of the Group, and the rest – with money). The agreement is subject to a condition precedent and the authorization of the new CBP, as noted above, and, as of the Report Date, it is uncertain that the transaction will be completed.

- 9.12.5. On December 19, 2022, the Group entered into a sale agreement and a sharing and joint transaction agreement with Reisdor Ltd. (in this section, the “Developer”), over land owned by the Group in Kiryat Gat. Under the agreement, the Developer would be entitled to receive some of the Group’s ownership rights in the real estate, which reflect all rights to build housing units on the land under the new CBP, if it is authorized, in exchange for ILS 24.5 million (ILS 9.6 million out of the consideration will be paid by providing construction services to build an alternative asset, and the rest – with money). The agreement is subject to a condition precedent and the authorization of the new CBP, as noted above, and, as of the Report Date, it is uncertain that the transaction will be completed.
- 9.12.6. On November 27, 2022, the Company’s board of directors resolved, as part of the Group’s strategy as of the date of adopting this resolution, and as a preliminary stage to finding a partner or investor for Shufersal Real Estate, or to examine its public offering, to act to transfer the Group’s logistics centers in Shoham and Rishon Lezion (together with a debt attributable to such asset), as well as the Group’s rights in the automated shipping center in Modi’in to Shufersal Real Estate (the **“Structural Change Transaction”**). It is noted that according to valuations conducted by the Company (through an external appraiser) as of March 31 2023, the total fair value of the logistics center in Rishon Lezion and the logistics centers in Shoham and Modiin (the Company’s part only) was estimated at approximately ILS 1,266 million. The Structural Change Transaction was stipulated in part on receiving the Tax Authority’s approval to carry out the transaction with an exemption from betterment tax pursuant to the provisions of sections 103B and 105 of the Income Tax Ordinance. For further details, including in connection with the Company’s board of directors’ resolution in principle in connection with an additional debt allocation from the Company to Shufersal Real Estate (beyond the debt transferred under the Structural Change Transaction), see the Company’s current report dated June 28, 2023 (Reference No. 2023-01-060208), included in this report by way of reference.

On March 12, 2025, the Company’s board of directors decided to withdraw the application for a pre-ruling submitted to the Tax Authority in connection with the Structural Change Transaction. In light of the foregoing, the condition precedent set forth in the

Structural Change Transaction was not met, and the transaction was terminated pursuant to its terms prior to its completion. In addition, the Company's board of directors resolved not to continue examining financial measures in Shufersal Real Estate including those relating to capital and debt. For further details, see the Company's current report dated March 13, 2025 (Reference No. 2025-01-016834), included in this report by way of reference. In addition, the lease agreements that the Company engaged in with Shufersal Real Estate with respect to the logistics centers in Rishon Lezion and Shoham did not enter into effect.

- 9.12.7. On December 31, 2023, an agreement was completed between the Company and Shufersal Real Estate for the transfer of its rights in land in Beit Shemesh (60%), on which the Company's branch was established, including transfer of the collaboration agreement between the Company and the holder of 40% of the rights in the land, and the transfer of the lease agreement with respect to the Company's branch (as owners only, with the lessee rights and obligations remaining in the Company's possession) (in this section – the **“Transferred Rights”**). In exchange, Shufersal Real Estate allocated to the Company ordinary shares of ILS 1.00 par value each of Shufersal Real Estate, pursuant to section 104a of the Income Tax Ordinance [New Version], 5721-1961, and the restrictions under it.
- 9.12.8. On October 19, 2023, Shufersal Real Estate signed an agreement with a third party (in this section the **“Agreement”**) that holds 35% of rights in a built commercial center with an area of approximately 8,150 sqm in the Romema neighborhood in Jerusalem (in this section – the **“Property”**), for the purchase of its full holdings in the Property, for ILS 76 million. Upon meeting the condition precedent in the transaction, on November 16, Shufersal Real Estate made the first payment in the amount of ILS 7.7 million, plus VAT. On December 26, 2023, the remainder of the consideration was paid and the transaction was completed. Further to this, on November 13, 2023, an agreement was signed between Shufersal Real Estate and the partner in the Partner (which is an interested party by virtue of its holding of Company shares), which holds the remaining 65% of the rights in the Property (under *musha* ownership) (in this section – the **“Partner”**), according to which the management services for the Property shall be provided by Shufersal Real Estate. In addition, the Partner was able to exercise the tag-along right it has under the partnership agreement, in a notice to be delivered in the

period between September 1, 2024, and October 12, 2024, whereby it shall be able to sell its full part in the Property at a value equal to the value determined in the Agreement (according to its relative part), i.e., ILS 141 million. On October 10, 2024, the Partner notified that it shall not exercise such tag-along right. Most of the Property's area (approximately 71%) is leased to the Company and is used for the Group's retail activity, and upon its purchase, was recognized as a fixed asset in the Company's consolidated financial statements, according to its relative part in the rights in the Property. In addition, on December 21, 2023, an agreement was signed between Shufersal Real Estate and a banking corporation for the purpose of providing partial financing for the purchase of the rights in the Property for the amount of ILS 57 million, pursuant to terms set forth in such loan agreement. It is noted that the remainder of the Property's purchase was financed through Shufersal Real Estate's equity.

- 9.12.9. In December 2024, a new plan was approved for validation, which applies to land owned by an investee wholly owned by the Company, in the Talpiot complex in Jerusalem (the **"Talpiot Project"**). As part of the new plan, building rights were approved that can be exercised for the purpose of constructing a project that includes 190 residential units, 80 rental units, approximately 2,000 sqm of commercial areas and 10,100 sqm of employment areas. Therefore, in September 2024, the investee signed a compromise agreement with the Israel Land Authority under which the investee shall acquire ownership of such land for ILS 40 million, which was fully paid in March 2025.

The information regarding material investments, transactions and promotion of building plans conducted by Shufersal Real Estate constitutes forward-looking information, as defined in the Securities Law. Such estimates are based on, inter alia, the Company management's experience in its areas of activity and the information in the Group's possession as of the report date. Therefore, there is no certainty that such estimates, in whole or part, will indeed materialize, and they may differ, even materially, from the projections, as result of various factors, including the security-social situation in Israel, the economic situation, the state of the real estate market, third-party approvals, and as the result of the effect of the Group's risk factors as set forth in Section 18 below.

9.13 Summary of the results

Below is a summary of the results of the real estate area of activity for 2024, 2023 and 2022:²⁴

Parameter	For the year ended		
	31.12.2024	31.12.2023	31.12.2021
	ILS millions		
Total income from the activity	116	105	71
Revaluation gains or losses	1	57	69
Activity profits	83	128	117
Same property NOI	48	45	47
Total NOI	81	74	50

9.14 Geographical areas

As stated, the Company only operates in the State of Israel. Below is a table of economic parameters about Israel in 2024, 2023 and 2022:

	For the year ended		
	31.12.2024	31.12.2023	31.12.2022
Macroeconomic parameters:			
Gross domestic product*	Approximately ILS 2,007 billion	Approximately ILS 1,878	Approximately ILS 1,764 billion
Product per capita (ILS thousands, in current prices)*	201	191	183
Growth in domestic product*	1.0%	1.8%	6.3%
Growth in product per capita (neutralizing price increases)*	-0.3%	-0.1%	4.3%
Inflation**	3.2%	3%	5.2%
Yield on local long-term government debt***	4.4%	3.9%	2.6%
Long-term government debt rating****	Baa1	A2	A1
Local currency exchange rate to USD on last day of the year*	3.647	ILS 3.627	ILS 3.519

* Source: the Israeli Central Bureau of Statistics website – <https://www.cbs.gov.il/he/cbsnewbrand/Pages/default.aspx>

** Source: the Bank of Israel website – <http://www.boi.org.il>

*** Source: the OECD website – <https://data.oecd.org>

**** Source: Moody's – https://www.moody.com/research/docid--PR_495586

9.15 Segmentation at the overall activity level²⁵

9.15.1. Segmentation of income producing real estate areas by region and uses, for 2024 and 2023:

²⁴ Data in the table does not include data on the branches the Group leases from the Shufersal Real Estate Group. These branches are classified as fixed assets in the Company's financial statements.

²⁵ Data in the tables appearing in this Section do not include data on the branches leased by the Group from Shufersal Real Estate (directly and indirectly). These branches are classified in the Company's financial statements as fixed assets.

On December 31, 2024						
Region	Uses	Office	Industry	Retail	Total	Percent of the total property area
		Sqm thousands				
State of Israel	Consolidated	46	-	67	113	100%
	Corporation’s share	46	-	54	100	100%
Percent of the total property area	Consolidated	41%	-	59%	100%	100%
	Corporation’s share	46%	-	54%	100%	100%

On December 31, 2023						
Region	Uses	Office	Industry	Retail	Total	Percent of the total property area
		Sqm thousands				
State of Israel	Consolidated	29	-	66	95	100%
	Corporation’s share	29	-	52	81	100%
Percent of the total property area	Consolidated	30%	-	70%	100%	100%
	Corporation’s share	36%	-	64%	100%	100%

9.15.2. Segmentation of income producing real estate value by region and uses, for 2024 and 2023:²⁶

On December 31, 2024						
Region	Uses	Office	Industry	Retail	Total	Percent of the total property area
		ILS millions				
State of Israel	Consolidated	449	-	1,042	1,492	100%
	Corporation's share	449	-	865	1,315	100%
Percent of the total property value	Consolidated	41%	-	59%	100%	100%
	Corporation's share	34%	-	66%	100%	100%
On December 31, 2023						
Region	Uses	Office	Industry	Retail	Total	Percent of the total property area
		Sqm				
State of Israel	Consolidated	380	-	866	1,246	100%
	Corporation's share	380	-	697	1,076	86%
Percent of the total property value	Consolidated	30%	-	70%	100%	-
	Corporation's share	35%	-	65%	100%	-

²⁶ Excluding investment real estate under construction or payments to the authorities due to levies and other payments.

9.15.3. NOI²⁷ by region and uses for 2024, 2023 and 2022:

On December 31, 2024						
Region	Uses	Office	Industry	Retail	Total	Percent of the total NOI of all properties
		ILS millions				
State of Israel	Consolidated	26	-	55	81	100%
	Corporation’s share	26	-	44	70	100%
Percent of total property NOI	Consolidated	32%	-	68%	100%	-
	Corporation’s share	37%	-	63%	100%	-
On December 31, 2023						
Region	Uses	Office	Industry	Retail	Total	Percent of the total NOI of all properties
		ILS thousands				
State of Israel	Consolidated	21	-	53	74	100%
	Corporation’s share	21	-	42	63	100%
Percent of total property NOI	Consolidated	29%	-	71%	100%	-
	Corporation’s share	34%	-	66%	100%	-
On December 31, 2022						
Region	Uses	Office	Industry	Retail	Total	Percent of the total NOI of all properties
		ILS thousands				
State of Israel	Consolidated	21	-	29	50	100%
	Corporation’s share	21	-	26	47	100%
Percent of total property NOI	Consolidated	42%	-	58%	100%	-
	Corporation’s share	44%	-	56%	100%	-

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NOI of generating properties: All operating income recorded in the financial statements of the Company for the property, excluding income originating from attribution of changes in fair value to the profit and loss statement, and less all operating expenses recorded in the financial statements of the Company for the property, excluding depreciation expenses (if any).

9.15.4. Revaluation gains (losses) by region and zoning for 2024, 2023 and 2022:

On December 31, 2024						
Region	Uses	Office	Industry	Retail	Total	Percent of the total revaluation gains or losses
		ILS millions				
State of Israel	Consolidated	19	-	14	33	100%
	Corporation's share	19	-	10	29	100%
Rate of the total revaluation gains	Consolidated	56%	-	44%	100%	100%
	Corporation's share	65%	-	35%	100%	100%

On December 31, 2023						
Region	Uses	Office	Industry	Retail	Total	Percent of the total revaluation gains or losses
		ILS millions				
State of Israel	Consolidated	23	-	45	68	100%
	Corporation's share	23	-	37	60	100%
Percent of the total revaluation gains or losses	Consolidated	33%	-	67%	100%	100%
	Corporation's share	38%	-	62%	100%	100%

On December 31, 2022						
Region	Uses	Office	Industry	Retail	Total	Percent of the total revaluation gains or losses
		ILS millions				
State of Israel	Consolidated	6	-	39	45	100%
	Corporation's share	6	-	38	44	100%
Percent of the total revaluation gains or losses	Consolidated	Consolidated	14%	-	86%	100%
	Corporation's share	Corporation's share	14%	-	86%	100%

9.15.5. Average monthly rent per square meter by region and uses in practice:²⁸

Uses	Office		Industry		Retail	
Region	For the year ended					
	31.12.2024 ⁽¹⁾	31.12.2023 ⁽²⁾	31.12.2024	31.12.2023	31.12.2024 ⁽³⁾	31.12.2023 ⁽⁴⁾
In ILS						
State of Israel	64	65	-	-	78	73

- (1) Minimum and maximum rent per sqm for offices in 2024 was ILS 39 per sqm and ILS 131 per sqm, respectively.
(2) Minimum and maximum rent per sqm for offices in 2023 was ILS 44 per sqm and ILS 127 per sqm, respectively.
(3) Minimum and maximum rent per sqm for retail in 2024 was ILS 26 per sqm and ILS 761 per sqm, respectively.

²⁸ The data is calculated by sqm gross and excludes management fee and miscellaneous.

- (4) Minimum and maximum rent per sqm for retail in 2023 was ILS 22 per sqm and ILS 794 per sqm, respectively.

9.15.6. Further segmentations of the real estate activity in the region of Israel:²⁹

Uses	Office		Retail	
	As of			
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Number of income producing properties	5	4	22	19
Average occupancy (percent)	73%	89%	88%	88%
Actual average return (by value at the end of year)	6.64%	6.86%	6.09%	6.39%

9.15.7. Projected income from signed lease agreements:³⁰

Revenue recognition period		Assuming non-exercise of the tenants' option periods				Assuming exercise of the tenants' option periods			
		Income from fixed components* (ILS millions)	Income from variable components** (Estimated) (ILS millions)	Number of contracts ending	The area subject of agreements ending (sqm)	Income from fixed components* (ILS millions)	Income from variable components** (Estimated) (ILS millions)	Number of contracts ending	The area subject of agreements ending (sqm)
2025	Q1	29	5	26	3	30	6	13	2
	Q2	28	5	32	5	29	5	12	3
	Q3	27	5	15	3	29	5	7	2
	Q4	25	5	31	22	27	5	12	13
2026		61	12	70	14	82	13	27	3
2027		37	11	57	17	77	13	30	2
2028		24	7	30	13	72	13	21	2
Year 2029 and onward		92	7	51	37	565	59	190	87
Total		323	57	312	114	911	119	312	114

* The above income include the management fee component.

** The Company's working hypothesis is that there has been no change in the income level in this component from each tenant in 2024.

It is noted that Company estimates regarding expected income from the real estate area, are forward-looking information, as defined in the Securities Law, based on signed lease agreements held by the Company, and on the Company's estimates. It is possible that such estimates shall not materialize, all or part, or materialize in a way that differs, even materially, from the projections, as result of the financial resilience of tenants with which the Company has engaged under lease agreements, the state

²⁹ Excluding investment real estate under construction. The data is as included in the consolidated financial statement, and excludes a property under construction.

³⁰ The data is as included in the consolidated financial statement, and excludes a property under construction.

of the market and the risk factors that characterize the Group, as set forth in Section 18 below.

9.15.8. Income Generating properties under construction in Israel (aggregate)³¹:

Region	Parameters	Period (The year ended)		
		31.12.2024	31.12.2023	31.12.2022
State of Israel – (Retail)	Number of properties under construction at the end of the period	1	2	2
	Total areas under construction (planned) at the end of the period (sqm thousands)	2.6	2.6	2.6
	Total costs invested in the current period (consolidated) (ILS millions)*	3	2	7
	The amount at which properties are presented in the reports at the end of the period (consolidated) (ILS millions)	28	30	16
	Construction budget in the consecutive period (estimated) (consolidated) (ILS millions)	-	-	-
	Total estimated remaining construction budget to complete the establishment works (consolidated) (estimated the end of the period) (ILS millions)	-	-	-
	Rate of the constructed area for which lease agreements were signed (%)	-	-	-
	Projected annual income from a project to be completed in the consecutive period, for which contracts were signed on 50% or more of the area (consolidated) (estimated) (ILS millions)	-	-	-
State of Israel – (Offices)	Number of properties under construction at the end of the period	1	3	3
	Total areas under construction (planned) at the end of the period (sqm thousands)	1.9	21	21
	Total cost invested in the current period (consolidated) (ILS millions)*	19	14	48
	The amount at which properties are presented in the reports at the end of the period (consolidated) (ILS millions)	20	239	262
	Construction budget in the consecutive period (estimated) (consolidated) (ILS millions)	-	-	-
	Total estimated remaining establishment budget to complete the establishment works (consolidated) (estimate at the end of the period) (ILS millions)	-	-	-
	Rate of the constructed area on which lease agreements were signed (%)	0%	21%	9%
	Projected annual income from projects to be completed in the consecutive period, for which contracts were signed for 50% or more of the area (consolidated) (estimated) (ILS millions)*	-	-	-

* Including an estimate of costs for construction services that were completed in the framework of a combination transaction as set forth in section 9.12 of the Report.

The information on the projected annual income from these projects reflects the Company's estimates regarding its completion and the financial resilience of tenants with whom agreements have

³¹ The data reflects the Company's share in the properties.

been signed. These estimates are forward-looking information, as defined in the Securities Law, and they rely on management's estimates and on the Group's accumulated experience and the estimate of the representative comprehensive annual income expected from this project. In practice, the presented data could vary, even materially, from the above projected data, as a result of various factors, and in particular, the state of the market, the financial robustness of the tenants with whom agreements were signed, and the risk factors characterizing the Group's activity, as described in Section 18 below.

9.16 As of December 31, 2024, and as of the Report Date, the Group does not have material or very material assets, as defined in the Draft Regulations published by the Israel Securities Authority for setting forth disclosure provisions on investment real estate activity in the regulations on December 12, 2013.

9.17 Fair value for the figures set forth in the report on financial position:

		On	
		(Consolidated) (ILS millions)	
		31.12.2024	31.12.2023
Presentation in the business description Report	Total value of investment real estate properties for which construction has ended (consolidated)	1,485	1,240
	Total investment real estate properties under construction in the region (consolidated)	48	269
	Total land classified as investment real estate in the region (consolidated)	-	-
	Total (consolidated)	1,533	1,509
Adjustments	Properties included under "noncurrent assets held for sale" in the report on financial position	-	-
	Adjustments to the value resulting from creditor and debtor items	-	-
	Adjustments deriving from presenting assets at cost	-	-
	Undertaking to pay betterment levies and payments to the Israel Land Authority	7	6
	Total adjustments	7	6
	Total after adjustments	1,540	1,515
Presentation in the report on financial position	The investment real estate item in the report on financial position (consolidated)	1,492	1,246
	The investment real estate under construction item in the report on financial position (consolidated)	48	269
	Total	1,540	1,515

9.18 Competition

9.18.1. Conditions of competition in the area of activity

There are many companies with different volumes of activity in the real estate market, some of which are engaged in development and construction and therefore conduct operations at very large volumes. In the Group's estimate, the income producing real estate market in which the Group operates is characterized by a very high level of competition. Most of the Group's income producing properties are in areas that are saturated with retail and office space with substantial supply of such space, thus the Group is in competition with entities holding such properties. The high competition in the field of income producing real estate derives, inter alia, from a great supply of commercial centers spread throughout Israel, as well as many office projects that are in different stages of construction. The Group assesses its part in the real estate market to be a negligible part out of the entire business income producing real estate market.

9.18.2. Methods for handling competition

In order to lease the properties and address the high level of competition in the real estate area, the Group operates to offer its customers a high level of management and competitive terms compared to the market for new tenants.

Positive factors that affect or could affect the competitive position of the Group include the following factors: favorable locations, synergy with the Group's retail activity, attractive terms in the properties leased out by the Group, operating Group branches in a variety of formats targeting the entire population of Israel, which in themselves constitute centers of attraction in terms of good accessibility and exposure to the client base and extensive parking areas in most properties leased out by the Estate Group, as well as the Company's financial strength and stability that support the strategy of growth and expansion of the Group's real estate area of activity.

The negative factors that affect or could affect the competitive position of the Group include the following: some of the properties leased out by the Group are old structures without a high finish level and some of the structures leased out by the Group do not allow functional utilization (large areas that cannot be divided and/or adjusted to different needs) and their location in a competitive business environment. In this context it is noted that the Group operates pursuant to property upgrade plans and to change the management and operation of the property, in order to achieve an improvement in the

level of the management and operation of the properties, to improve the satisfaction of the lessees of its properties.

9.18.3. Restrictions and supervision on the Corporation's activity

For details on restrictions and supervision on the Corporation's activity in the area of activity see Section 9.3 above.

9.19 Material agreements

For details on collaboration agreements and material agreements, see Section 9.12 above.

Issues that concern the group as a whole:

10. **Material Agreements**

10.1 Collective bargaining agreements

See Section 16.4.1 below.

10.2 Credit cards agreement

See Note 29(a) of the Financial Statements.

10.3 Paybox agreement

See Section 8.10.4 above.

10.4 Agreement with KNAPP

See Section 8.15 above.

11. **Objectives and Business Strategy**

- 11.1 The strategy of the Group is based on it being Israel's largest and leading food and consumer product retail chain, which is mainly engaged in marketing and sale of food products, consumer products and services, to private and business customers. The Group's strategy is to continue developing its core business, its activity in the area of food and consumer goods, while at the same time working to develop and expand the Group's real estate activity as another key growth engine together with its retail activity.

In addition, the Group's strategy is based on the development and reinforcement of existing and new growth engines in fields that are synergic with its activities, such as: financial services, establishing new formats and brands, expanding the platform based on the Group's customer club and strengthening its cooperation with business factors, developing innovative services while realizing the abilities that distinguish it and through the Group's digital assets and chain of supply system. The Group shall act to develop such growth engines, while focusing on the Group's further growth in reinforcing its core activity and developing

existing growth engines, strengthening and distinguishing it as Israel's leading retail chain.

The Group's growth is based on its strengths, including the Group's status as Israel's leading and largest retail chain; a wide variety of formats; nationwide deployment in city centers and outside of them; the ability to independently supply goods to Group branches (using the Group's logistics centers and distribution system); an advanced product and services commerce and purchase system, an online system that is the biggest of its kind in Israel; advanced digital and data platforms; a well-established private label that supports the consumption habits of the Group's customers; human and organizational capital possessing experience and knowledge accumulated over decades; ownership of real estate properties that serve the Group's retail activity and its real estate activity; offering value to business owners and the institutional market on the basis of the Group's commerce and logistics infrastructure; financial resilience that provides the Group with potential sources of financing required to support the growth and expansion of the Group's business, including its real estate business; a modern and innovative marketing system; the Group's customer club and credit card club.

The Group's strategy is also based on values of service and professionalism, quality, fairness, innovation, patriotism, and a commitment to employees, as well as to its interested parties, which helps in differentiating and distinguishing it from its competitors; this in order to improve customer loyalty and the Group's competitive position, while creating synergy between its various areas of activity.

In addition, as part of the Group's strategy, the Group regularly and continuously promotes striving to excellence, achieving operational and financial efficiency and continuous improvement of cross-organizational processes to deepen the synergy in its various areas of activity, continuing the development and assimilation of innovative technologies in the Group's branches, distribution centers, automatic shipping centers and the Group's digital platform to improve the experience of the Group's customers.

11.2 The primary points of the Group's business plan and expected developments in the upcoming year:

11.2.1. Retail area

- The Group continues to act for its further positioning as Israel's largest and leading food and consumer good retail group, while examining strategic steps to reinforce its core activity on the basis of central platforms of the Group.

- The Group acts to build and develop branches in city centers, in new cities and in new neighborhoods, while at the same time examining the total commerce areas used for the Group's activity.
- The Group operates to promote its branch investment plans for the purpose of improving appearance and customer experience in the various formats.
- The Group operates to expand the "Universe" format, in accordance with the deployment plan determined by the Group's management, while focusing on the needs and preferences of the Group's customers.
- As part of the global trend of reducing the consumption of industrial and processed foods, while shifting to the consumption of fresher and healthier food products, and in order to give the customers a shopping experience with an emphasis on fresh, high-quality products, the Group continues to act to improve the quality and freshness of its products, while focusing on the fresh departments, fruit and vegetables, delicatessen, butcher department, fish department and baked goods, while expanding and upgrading the variety; launching new product lines, improving the value offered to customers shopping on Shufersal Online, and more.
- The Group operates to expand its services in the financial area, and among other things is working to position the Shufersal and Yesh credit cards as profitable and leading credit cards for the customer public, with a wide scope of uses that give various rewards, further growth of the number of users of the credit cards and expanding their use, including by way of high-quality recruitment in various recruitment channels; continuing the reinforcement of various digital service channels, as well as expanding the credit portfolio to the Group's customers. As part of the focus on the Group's credit card club, the Group operates to formulate a new value offer to the credit card holders.
- In addition, the Group considers processing the product value chain and implementing advanced tools in the supply chain to be a means for improving efficiency and competitiveness. As part of this, process reviews are conducted throughout all stages of the chain, from the stage of planning the order, receiving the goods, storage and distribution methods, inventory and order management and managing availability at the stores, with the purpose of bringing about efficiency and improving the shopping experience and the quality of service to the customer, so as to support the Group's differentiation and positioning as a market leader.
- The Group emphasizes the development of its digital platforms, which include various website and special-purpose applications, mainly the websites the applications Shufersal Online and Be Pharm, while continuing to streamline the operational processes in connection with the logistics

system of this activity. The Group continues to develop its automated shipping centers for the automatic picking of online shipments and distribution to the customer (CFC), which are some of the most advanced in the world and support the improvement of the service level and the customer experience, and increasing the shopping basket as the result of increasing availability, in order to allow a solution to the customers' demands while reducing the dependence on manpower and increasing the rate of operating profit.

- The Group acts to continue assimilating technologies and to make innovations that would bring about improvement of the service and customer service, development of growth engines, and organizational efficiency. The Group continues to develop and invest in the promotion and spread of technological projects under a multiyear program that also includes upgrade of systems and moving to new platforms, for the purpose of improving the technological capabilities that support cross-organizational processes and business developments and preservation of the systems' flexibility and stability.
- The Group acts for the further improvement and upgrade of its organizational data infrastructures by creating tools for maximizing use of data to offer customers greater value through learning their purchasing characteristics and developing various optimization tools, based on advanced analytics systems and creating artificial intelligence- and machine learning-based modules, with an organization-wide perspective. These capabilities will assist in formulating the scope and depth of the personal activity with the Group's customers and to upgrade the customer experience in the stores, website and customer service.
- The Company is examining collaborations with leading retailers and food and consumer goods producers throughout the world, to share knowledge and experience, and trends in the retail world, as well as promoting the Israeli retail-tech community vis-à-vis retailers around the world.
- The Company intends to continue developing marketing and sales to business and institutional customers in the various channels, inter alia, through the Shufersal Online website.

11.2.2. Real estate area

- The Group focuses on the development and improvement of properties that it owns, that serve as income producing real estate or as the Group's branches, this according to decisions regarding economic profitability, business opportunities and according to the optimal use of land.
- The Group regularly examines opportunities for the purchase of new properties, including properties that are synergic for the Group's retail

activity, and properties with a mix of uses. In this framework, the Group also examines participation in Israel Land Administration tenders and/or purchase of strategically located land that would lead to the development, construction and improvement of income producing properties in high demand areas, while ensuring high quality locations for the retail activity. The financial strength and stability of the Group provide the Group with availability and flexibility of potential sources of financing, in addition to its independent sources, and would allow the realization of business opportunities for the purchase of properties as part of the growth plan of the real estate activity.

- The Group is examining, inter alia, collaborations in the field of developing, purchasing and managing various projects whose purpose is to maximize the value of the projects, which would assist the Group in becoming a key player in the real estate sector.
- The Group is working to improve the management and operation of the properties that it owns, and as part of this it is examining alternatives to the manner of managing and operating such properties, while improving the satisfaction of the lessees and visitors to its properties.
- The Group is acting to promote projects to improve the appearance of the income producing real estate properties that it owns in order to improve the positioning of the Group's assets in order to allow improvement of the tenant mix and increase the occupancy rates in its properties.

Information on the Company's strategy and the expected developments in the upcoming year is forward facing information, as defined in the Securities Law. Such information relies on the Company's estimates. Implementing the Company's strategy as mentioned could be materially different than the aforementioned predictions, as a result of various factors, including the state of the economy, the state of the retail market, the complexity of integrating innovative automation systems in the Group's activity, changes in the real estate market, including changes of regulation and taxation and changes in the price levels in place at present, delays in the pace of the projects' progress as anticipated by the Company, non-completion of such offers, increase in construction costs, change in the state of the economic that adversely affects the financial strength of contractors and other service providers in the Company's various projects, the security-social situation in Israel, third-party approvals and/or events outside the Company's control, as result of the impact of the risk factors described in Section 18 below.

12. Financing

12.1 General

The Group's activity is mostly financed with its equity and bonds listed for trade on the Stock Exchange.

12.2 Material loans

As of the Report Date, bonds Series 4, 5, 6 and 7) are in circulation (hereinafter the **“Company’s Bonds”**), in a total amount of approximately ILS 1,798 million par value, pursuant to legal position 104-15 “Reportable Credit Events” of the Israel Securities Authority of October 2011, as updated in March 2017, February 2023 and January 2024 (the **“ISA Position”**). The trust deeds of the Company’s Bonds and each of the Company’s binding credit facilities (for details on the Company’s binding credit facilities, see Section 12.5 below), include a material cross-default clause (as this term is defined in the ISA Position), subject to quantitative threshold conditions as set forth in the trust deeds of the bonds and the Company’s credit facilities, as relevant. Pursuant to the foregoing, in the case of the applicability of a material cross-default clause in one or more of the Company’s bonds and binding credit facilities as foregoing, subject to the quantitative threshold set forth in each of the trust deeds of binding credit facilities of the Company as aforesaid, there may be a right to call for the immediate payment of the bonds and binding credit facilities of the Company. For further details, see Section 5 of the Company’s Board of Directors Report.

For details on the Company’s Bonds, see Note 17 of the Financial Statements and Section 5 of the Board of Directors Report, regarding designated disclosure to the Company’s bondholders.

12.3 Charges and security interests

The assets of investee companies, at a scope that is immaterial, are partly charged in favor of third parties. Except the foregoing, the Group does not have, as of the Report Date, other charged on its assets.

For further information regarding guarantees and charges, see Notes 29(c) and 30 of the Financial Statements, respectively.

For information on the Company’s undertakings in the framework of the Deeds of Trust pursuant to which the Company’s bonds Series 4, 5, 6 and 7 were issued, and in the framework of the Company’s engagement under credit facilities to avoid creating a floating charge on the Company’s assets, see Note 17 of the Financial Statements.

12.4 Average interest rate on loans not designated for specific uses in 2024 (ILS millions):

	<u>Short-term loans/current maturities (*)</u>	<u>Long-term liabilities (*)</u>	<u>Average interest rate (**)</u>
Issued bonds – index-linked***	152	468	3.95%
Issue bonds – unlinked***	156	1,133	4.17%
Credit from banking corporations – unlinked	12	131	3.15%

* Data in the above table does not include interest payable.

** Weighted average of nominal interest.

*** For details on the effective interest on the bonds in circulation, see the data in the table in Section 5 of the Board of Directors' Report. The effective interest rate with respect to credit from banking corporations is 2.95%.

12.5 The Company's credit facilities, their terms and utilized credit balance

As of December 31, 2024, the Company has nonbinding credit facilities totaling approximately ILS 400 million (without material change as of the Report Date). Such facilities can be changed by the banks at any time. Out of the above credit facilities, as of December 31, 2024 the Company has utilized approximately ILS 50 million (compared to ILS 90 million in 2023, without material changes as of the Report Date) (including guarantees in scope of approximately ILS 23 million provided in the framework of tender/performance guarantees to various entities, most of which are linked to the Consumer Price Index). The foregoing credit facilities are mostly used for the Company's activity in trading rooms, for guarantees and letters of credit.

As of December 31, 2024, the Company also has binding credit facilities totaling approximately ILS 400 million from three banking corporations. As of December 31, 2024 and the Report Date, the Company has not utilized these credit facilities. For details on the binding credit facilities, and their renewal, see Note 17(3) of the Financial Statements.

12.6 The Company's credit rating

As of the Report Date, the Company's rating is Stable (AA-) and the Company's bonds' rating is (AA), according to the reaffirmation of the Company's rating by Maalot from October 2024. For details on the reaffirmation of the rating of the Company and the Company's bonds, see the Company's current report dated 14 October 2024 (Reference No.: 2024-01-610605), which is hereby included by way of reference.

12.7 Financial covenants and compliance therewith

For details on the restrictions applicable to the Group in receiving credit, and as part thereof, the Company's undertakings to comply with financial covenants in the framework of the Deeds of Trust for Series 4, 5, 6 and 7 of the Company's bonds and in the framework of the binding credit facilities, for compliance with such financial covenants as of December 31, 2024, and as of the Report Date, and for details on additional undertakings under such Deeds of Trust and credit facilities, see Note 17 of the Financial Statements and Section 5 of the Board of Directors' Report.

12.8 The Company's shelf prospectus

On November 28, 2021, the Company published a shelf prospectus (Reference No.: 2021-01-172404). This shelf prospectus allows the Company to offer and sell various securities, including debt and capital, in Israel. On May 26, 2024,

the period for the offering of securities under the Company's shelf prospectus, dated November 29, 2021, was extended to May 28, 2025, pursuant to the decision of the Israel Securities Authority.

As of the report publication date, in the Company's estimate, the Group shall not require any additional sources to cover the operation of its current business.

13. **Insurance**

The Group has various insurance policies to insure its activity, including, *inter alia*, a property and equipment insurance policy, a policy for covering various liabilities relating to its current activity, product contamination insurance, cyber insurance, and D&O insurance policies. Generally, the Group engages under these policies in consultation with the Group's insurance advisors.

14. **Taxation**

For information on the tax laws that apply to the Group and/or various issues regarding taxation see Note 28 of the Financial Statements.

15. **Environmental risks and their management**

15.1 **Environmental risks that have or are expected to have a material effect on the Corporation**

Except as detailed below, in general, the Company's branches, plants and logistics centers that it owns have no environmental risks, such as hazardous emissions or use of hazardous substances as defined in the Hazardous Substances Law, 5753-1993 (the "**Hazardous Substances Law**"). As of the report date, Gidron's manufacturing plants do not use hazardous substances, as defined in the Hazardous Substances Law, at any stage of the products' manufacturing.

However, the Group must meet environmental protection requirements, including as part of the regulation of building permits and business licenses for its branches, pursuant to the instructions of the Ministry of Environmental Protection, the Ministry of Health and the health department of the local authority, as well as statutory requirements and bylaws, including: the People's Health Ordinance, on the matter of the impact on drinking water systems; the Water Law, 5719-1959 and the regulations under it; the Water and Sewage Corporations Law, 5761-2001 and the Water and Sewage Corporations (Plant Wastewater Flowing into the Sewage System) Rules, 5774-2014, on all matters relating to the quality of wastewater flowing into the sewage; Beverage Container Deposit Law, 5759-1999; Collection and Removal of Waste for Recycling Law, 5753-1993; Regulation of Processing of Packages Law, 5771-2011 (the "**Packages Law**") and the Reducing the Use of Disposable Carrier Bags Law, 5776-2016. The Group's activity is also affected by municipal bylaws on the matter of maintaining hygiene in branches. In addition, because

the Group holds and operates trucks as part of its activity, it is subject to directives issued by the Ministry of Environmental Protection by virtue of the Clean Air Law, 5768-2008, on the matter of reducing air pollution from heavy vehicle fleets. In addition, as of the report date, the Group is preparing for the effects of regulation requiring the reduction of refrigerant gases (HFC/CFC), also known as greenhouse gases, which are used in refrigerators and freezers at branches. The amendment approved by the Knesset Internal Affairs and Environment Committee in November 2020 set, inter alia, timetables for the restriction and reduction of the import and consumption of HFC. The State of Israel started implementing the amendment of the regulation as foregoing in limiting and reducing the importing and consumption of refrigerant gases in July 2022, with a demand for gradual implementation by 2040.

Each new Group branch is equipped in advance with the facilities required in order to meet regulatory and local legislation requirements, also in connection with greenhouse gases as foregoing.

In the Group's logistics center in Shoham, the Company is required to keep a certain quantity of ammonia in connection with the operation of certain refrigeration systems. The Company is exposed to different types of risks deriving from holding and using ammonia, inter alia, health hazard to employees and/or to the public in case of an ammonia leak event, as well as criminal, administrative and civil exposure for the Group and its officers. In order to reduce these exposure and risks (including in the cyber security area, as required pursuant to the Ministry of Environmental Protection position), as foregoing, the Group employs strict security and safety measures, performs maintenance operations regularly and continuously, and meets the requirements prescribed by law, with respect to such systems and the holding of ammonia. However, insofar as any ammonia leak event occurs and/or damage is caused and/or it arises that the Group did not act in accordance with the requirements of the law with respect to holding ammonia and safety instructions, in the Group's estimate, this could have an adverse effect on the Group and its results.

The Group holds a toxins permit as required for the operation of the ammonia refrigeration system as foregoing, including provisions regarding distances of separation from immobile risk factors, and meets all of its conditions, and also an effective business license for the said logistics center. In order to reduce the exposure and risks deriving from the holding and use of ammonia in the framework of said systems, the Group has installed means of security and safety in the foregoing systems and in the logistics center, and received the approval of the Ministry of Environmental Protection for said systems and the logistics center complex.

The application of new environmental legislation, in particular taxation for greenhouse gas emissions, could increase energy costs and impose additional

costs on the Group. In addition, extreme climate and environmental events, such as earthquakes, heat waves, droughts or flooding may expose the Group to the risk of difficulties in regular supply and fluctuation in product prices and in profitability, as a result, inter alia, of impact to agricultural crops due to extreme climate events.

15.2 The Corporation's environmental risk management policy

The Group's Director of Quality and Business Licensing is responsible for the Company's environmental responsibility (in cooperation with and assistance from various entities in the Company, such as the compliance officer and regulation officer, the technical and supply chain department), who supervises the Group's progress in this area and reports to the VP of Operations and Supply Chain, from time to time, as necessary.

As of the report date, the Group is examining the management and reporting processes in the field of corporate responsibility, including environmental protection.

The Company takes different measures to protect the environment, increase awareness amongst its employees and customers, and to minimize its negative environmental impact. This includes waste management – increasing cardboard and paper collection at Company branches for recycling by an external company; waste management – some branches collect shrink wrap; waste management – electronic waste collection according to the Environmental Treatment of Electric and Electronic Equipment and Batteries Law, 5772-2012; replacing and upgrading lighting and air conditioning system components with and into energy efficient components; control of pesticides in agricultural produce: in order to improve the quality and freshness of the agricultural produce sold at its branches and to minimize use of pesticides for purpose of compliance with regulatory requirements, the Group initiated the “More Control, Less Pesticides” project, intended to control the growing, collection, and storage of agricultural produce supplied to the Group by various farmers, promoting the transition from nylon packages to reusable “green bags”, and reducing the use of carrying bags according to the Law for Reducing Use of Plastic Bags, 5776-2016; collecting beverage containers and transferring them to recycling, according to the Beverage Container Deposit Law, 5759-1999; gradually replacing the gas found in the cooling systems of the branches, from freon to an eco-friendly gas; measuring the carbon footprint of all Company operations as the basis for working on all aspects related to increasing efficiency and reducing environmental impact; appointing a taskforce for the Group to formulate an operational strategy for implementing the required professional solutions in light of the Water and Sewage (Industrial Wastewater Pumped Into the Sewage System) Rules, 5774-2014, including: monitoring processes and finding solutions to obtain the appropriate quality of wastewater according to

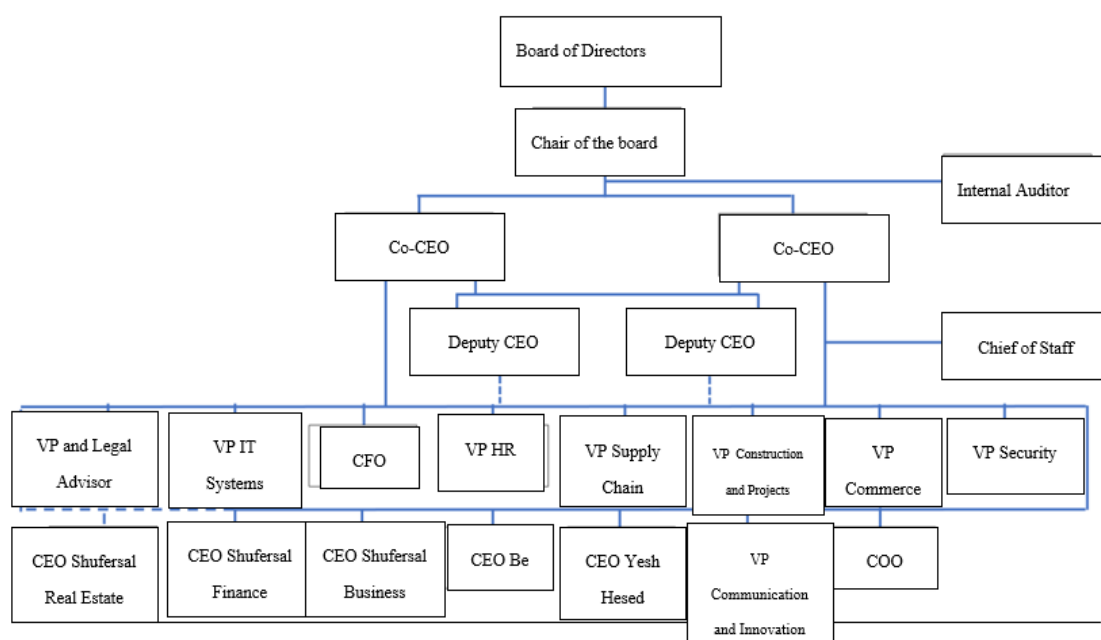
such rules, forming environmental procedures for the chain, internal enforcement and training for relevant employees; as well as clearing expired medicine from the pharmacies in some branches, by an external company and according to the standards.

Furthermore, pursuant to the Packages Law, the Company joined other companies that formed a corporation, formally recognized by the Ministry of Environmental Protection, for handling packaging under the name TAMIR, and the Company has a representative on the Board of Directors of this corporation.

16. **Human Capital**

16.1 The Group's organizational structure

16.1.1. Organizational structure chart



16.1.2. As of December 31, 2024, the Company employs 14,281 employees, equivalent to a total of 13,122 full-time positions. Some of said employees are employed under collective bargaining agreements, and some under personal agreements (see Section 16.4 below).

16.1.3. Segmentation of the Group's employees

Below are details on the Group's organizational structure, and the number of employees and positions in the Group as of December 31, 2024 and December 31, 2023:

Company divisions	Number of employees as of December 31,		Number of positions as of December 31,	
	2024	2023	2024	2023
Total branch employees including supporting units	12,106	13,466	11,028	12,108
Supply chain	1,044	1,096	1,027	1,009
Subsidiary employees	727	800	662	797
Company headquarters	404	453	403	446
Total Group employees	14,281	15,815	13,122	14,360

16.2 Material changes in the company's manpower in 2024

In 2024, a decrease of 9.7% in the Group's manpower occurred, this, inter alia, in light of structure change and streamlining processes in the Group's headquarters and supporting units carried out by the Group, and also in light of employees retiring and challenges in recruiting manpower, which increased due to the war. In addition, the report period was characterized by changes in the Group's management ranks, due, inter alia, to changes performed after the appointment of Mr. Yosef Amir and Mr. Shlomo Amir as Co-CEOs of the Company. For further details, see Regulation 26A of Part D (Additional Details on the Corporation) of the periodic report.

16.3 Payroll costs

In 2024, the Group's payroll costs totaled approximately ILS 2,284 million (excluding franchisee branches and management fees) (compared to approximately ILS 2,296 million in 2023) and the average payroll cost per employee in the Group amounted to approximately ILS 14,420 per month (excluding nonrecurring provisions) for a full-time position.

16.4 Employment agreements

16.4.1 Collective agreements

Approximately 11,100 of the Group's employees are employed under special collective agreements.

According to the special collective agreements that apply to the Group, employees are entitled to various benefits according to the relevant collective agreement that applies to them, beyond the benefits set forth in various labor laws, including: holiday leave, special leave, increase sick leave according to seniority, and social provisions at rates set forth in the relevant agreement. Similarly, according to the provisions of the agreement, the parties, the employer, and representative body of employees, must conduct collective proceeding in order to examine and settle disagreements that may arise between the parties, including with respect to termination of employment proceedings. In addition,

according to the aforementioned collective agreements, a condition for downsizing manpower is mutual consent of management, the employees' committee and the Histadrut trade union. In addition, under the collective agreements, once a year, the Company transfers to the benefit of the workers committee and the employees under the collective agreements an amount at the rate of approximately 6% of the Company's operating profit, as defined and as determined with the workers committee. In addition, employees who have completed a certain period of employment with the Company are entitled to various benefits.

In addition, according to arrangements existing at the Company, certain officers are entitled to remuneration for meeting objectives according to operating and financial criteria set forth, such as: revenue, certain expenses, etc. In each of the years 2024 and 2023 payments for bonuses and regular incentives to eligible employees, as aforesaid, were made in a total of approximately ILS 96 million and approximately ILS 97 million, respectively.

The Company, Gidron, Amiga and Shufersal employ employees not included under the special or general collective agreements applicable to the Company's workers. For some of these, relevant general expansion orders apply.

The work relationship between the management the employees, in the last thirty years, has been characterized by industrial quiet without strikes. On May 7, 2024, the Company, the workers representation and the Histadrut Federation of Labor signed the extension of the effect of the collective agreements until May 31, 2027.

16.4.2 Personal agreements

The Group has approximately 1,490 employees who are employed under personal agreements³² who are not subject to the provisions of the special collective agreements that apply to other Group employees.³³ The salaries of employees and other functionaries in the personal agreements are set according to their position. Furthermore, according to arrangements existing in the Group certain functionaries are entitled to remuneration for meeting targets according to operational and financial criteria such as turnover, certain expenses, etc. In addition, once per year, the Company's CEO is entitled, according to its discretion, to grant an annual bonus to employees

³² Including subsidiaries.

³³ Approximately 340 deputy branch managers in the Company who are employed under collective bargaining agreements are granted preferential rights that exceed those set forth in the collective bargaining agreements by the Company.

under personal agreements, in the framework of a budget approved by the Board of Directors.

16.4.3 Officers' agreements

As of the Report Date, the Company has 21 Senior Officers serving as members of the Company's expanded management (excluding directors), who are employed under personal agreements. Company Officers are entitled to an annual bonus according to the Company's remuneration policy (see Article 21 of Part D the Periodic Report). For more information, see regulation 26A in Part D of the Periodic Report.

The Company does not have dependency on any of its current officers.

16.5 Exculpation, insurance, and indemnity arrangements

For information regarding exemption, insurance, and indemnity arrangements in the Group, see Regulations 21 and 29A of Part D of the periodic report.

16.6 The Corporation's investment in training

Training is a tool for promoting the business objectives of the Group, supporting the increase of sales, improving internal and external service, and adapting management skills to the new world, and maintaining awareness and compliance with the law.

Thus the Group is engaged in reenforcing its existing training system and reenforcing the training infrastructure, to allow every trainee, from any position and at any place and time, to participate in customized learning.

The Company's unique approach of continued investment in professional training, continuous learning and being a leader in its field, the Company teaches and provides professional training to its employees in the world of retail.

The training infrastructure is based on personalization (customizing tools according to position, language etc.), simplicity and accessibility.

The corporation's activity includes training in the area of regulation and compliance, including in the field of safety, training and development courses for managers at branches and at Company headquarters, as well as training for deputy branch manager level employees and for department managers, as part of a "retail academic program" formulated by the Company.

Learning is conducted through various channels: frontal, on the job and online training that can be done from any smartphone. Online training is updated from time to time and includes instructional videos, "a day in the life" videos of employees in various positions, knowledge checks and interactive courses.

16.7 Employee remuneration programs

For details regarding capital compensation for Company officers, see Note 22 to the Financial Statements.

17. **Legal Proceedings**

- 17.1 On November 29, 2021, a motion for approval of class certification was filed against the Company and officers that are or were serving in the Company, for the argument that the Company is operating a shipping website “Yashir Lamahadrin” in a manner that could constitute prohibited discrimination of customers that are not from the ultra-orthodox sector, and therefore is allegedly illegal, and nondisclosure of such in the Company’s reports constitutes a “misleading item” under the Securities Law. On January 2, 2024, the court summarily dismissed the motion. For more information see the Company’s current reports dated November 29, 2021 and January 3, 2024 (ref. nos. 2021-01-172824 and 2024-01-001350 (respectively)), hereby included by way of reference.
- 17.2 For information regarding the total provision of the Company for claims and legal proceedings as of December 31, 2024, and for further information on claims and legal proceedings, see Note 16 of the Financial Statements.

18. **Discussion of Risk Factors**

Macro Risks

18.1 **The State of the Israeli economy and the Israeli retail food market**

The Group depends on the state of the Israeli economy, that affects, *inter alia*, the Israeli retail food market, as consumption depends on personal consumption per capita. The Group could also depend on international events that have an impact on the Israeli market.

For information regarding the state of the Israeli economy and the state of the retail food market, see Section 0 above.

The Group’s management is continuously monitoring the developments and possible implications of economic conditions in the market and the state of the retail food market on the Group’s business.

Developments and turbulence in the Israeli market as well as an economic slowdown or recession due to economic crisis, if such occur, could have a negative impact on the Israeli retail food market, and consequently, also on the revenues of the Group and its profit margins, *inter alia*, due to intensified competition, reduced private consumption and due to changes in consumption habits of the Group’s customers.

18.2 **Public opinion and public discourse on the topic of cost of living in Israel**

Public opinion and public discourse on the topic of the cost of living in Israel could impact consumer confidence, impact the Company's image and its positioning, lead to loss of market share and negatively affect the Group's business results,, *inter alia*, due to increased public sensitivity to the cost of living, a perception of too high prices of the Group's products, and/or high profitability of the Group.

The Group is constantly monitoring its public positioning and image, both in the traditional media and on social media.

For more details regarding the financial situation and cost of living in Israel, see Sections 7.2 and 7.3 above.

18.3 Dependence on the security and political situation in Israel

The Group depends on the Security and political situation in Israel.

The Company and its subsidiaries incorporated under the laws of the State of Israel, and their offices and activities are based in Israel. Similarly, all of the Group's revenues derive from Israel and a large part of the products the Group sells are grown, manufactured, or processed in Israel. Hence, the Group's business results are directly affected by the political, economic, or security conditions in Israel. A significant deterioration to the security or political situation in the State of Israel could negatively impact the Group's business, financial situation, and the results of its activity.

For details on the effects of the Israel-Hamas war on the Group, see Section 7.1 above on the general environment and effect of external factors on the Group.

18.4 Interest changes and inflation

Fluctuations in the inflation rate, interest rates, exchange rates, and other conditions in the capital market could cause fluctuations in the Group's financial results.

For information regarding the impact of fluctuations in the inflation rate on the Group, see Section 7.2 above. Also, the Group's financing income and expenses are subject to fluctuations due to changes in interest rates on bank deposits. In addition, changes in interest rates may have an effect on the Group's revenues in connection with the credit portfolio for customers holding the Group Credit Cards. For details on the Group's policy on performing hedging transactions, see Note 23 of the Financial Statements and Section 1.2 of the Board of Directors' Report.

A future increase in payroll costs in the market, and a significant increase in inflation in general, could lead to a higher minimum wage according to the Minimum Wage Law or expansion orders in the market, and thus may substantially increasing the Group's wage expenses. For information on the

minimum wage increase in the market and its impact on the Company, see Section 7.7 above.

Furthermore, some of the products sold at the Group's branches are imported from other countries, whether by the Group or by other importers. Substantial depreciation of the exchange rate of Israeli currency opposite other currencies (mainly euro and dollar) as a result of the Group's import activity and other foreign currency linked agreements could cause a change in the pricing of such products and adversely impact the Group's profitability, scope of sales and business results.

Developments and turbulence as aforesaid could have negative impacts on the Group's business results, liquidity, asset value, the state of its business, credit rating, its ability to distribute dividends, and its ability to raise financing for its activity, as required, as well as on the terms of such financing.

Sector-specific risks

18.5 Dependence on vendors

For information regarding the primary vendors of the Group and dependency of the Group on a vendor, see Sections 8.21.2 and 8.21.4 of the Report, respectively. The Group has no certainty that these vendors or other vendors shall not significantly change their pricing policy, distribution methods and/or their sales or face difficulties in supplying products to the Group. In such instances the Group's business, financial position and results of its activity could be affected.

18.6 Permits and licenses

Operating the Group's branches, acquiring new branches and the Group's activity in developing real estate, require obtaining permits and licenses from multiple government agencies (not necessarily related or coordinated amongst themselves). Some of the Group's branches need licenses or permits that have not yet been obtained, or that have expired and need to be renewed.

Failure to obtain approvals, licenses (including pharmacy license), and documents related to the land, for some of the Group's branches, may lead to these branches being closed, or not opened. Not obtaining a permit from the Director General for opening new branches, pursuant to the Food Law, may harm the Group's ability to expand its number of branches. For further details on approvals, licenses and permits required by the Group for its current activity, see Sections 8.24 and 9.3 above.

18.7 Legislative and regulatory changes

The Group is exposed to many legislative and regulatory changes in various areas, such as: consumer legislation, competition laws, companies and securities

laws, laws from the food health sector, regulations and guidelines related to product marking, Kashrut of products, legislation in the area of agricultural products and fresh products, the Privacy Protection Law, planning and construction, environmental protection and employment laws, regulation on the sale of drugs and management of pharmacies, and regulation in the online area – which may have an effect on the Group’s business and operating results and on future areas of operation. For information about the main regulatory requirements the Group is subject to, see Section 8.24 above. With respect to the Food Law, see Section 7.4 above.

Business licensing legislation, sanitation legislation, and new consumer protection legislation that grants extensive powers to the Consumer Protection and Fair Trade Authority; consumer protection legislation and increased enforcement thereof, imposing more extensive price controls or higher minimum wage (see section 7.7 above), and higher customs rates on food imported into Israel, could negatively affect the Group’s business, financial position and the results of its activity.

Furthermore, decisions by the Commissioner regarding rules of conduct between major food retail chains, which include the Group, and dominant vendors in the food market area, including by virtue of the provisions of the Food Law, and with respect to the Company’s merger with Club Market (see Note 29(b) of the Financial Statements) could negatively impact the Group’s business, financial position, and the results of its activity.

Following the Increase of Competition and Reduction of Centralization in the Israeli Banking Market (Legislative Amendments) Law, 5777-2017 (known as the “Strum Law”) and regulation of the credit market in accordance with the Control of Financial Services Law, competition in issuing off-bank credit cards and provision of consumer credit could intensify.

For details on the shopping voucher activity and the applicable regulation in this context, see Section 8.24.9 above.

18.8 Competition

Increased competition in the sector could result in lower income, lower profit margins and loss of market share.

For information on competition in the retail food market, see Sections 8.2 and 8.17 of the Report. The Group regularly monitors developments in the retail sector and adjusts its operations accordingly, if and as required. Competitive pressures, including the response of competitors and the market to the Group’s strategy and its implementation, could harm the Group’s ability to handle and lead price reductions, and loss of market share in a manner that could adversely affect the Group’s business, financial situation, and the results of its activity.

18.9 Real estate

The Group holds whole or partial title to retail centers and office buildings, in most of which the Company's branches are the anchor shops. These properties are subject to the risks involved in ownership of real estate properties, including deterioration of the local economy, surplus supply and limited demand that could negatively affect the national or regional real estate market, occupancy rates, rent, the scope of income, and the asset value in the Company's Financial Statements. The Group's failure to comply with the occupation targets of its properties, could negatively impact the Group's real estate business activity.

Furthermore, rising interest rates and a decline in investments in Israel by international companies could affect office occupancy rates and employment of workers and lead to prolonged planning processes. For further details on the interest change risk, see Section 18.4 above.

In addition, difficulties in locating properties for all of the Group's activity may impact the Group's ability to develop and reach its targets.

18.10 Product liability and manufacturing quality

The Group is subject to product liability risks, including for selling medicine, and for the private label, as well as risks pertaining to the quality of products manufactured by Gidron.

The Group markets various products, including pharmaceuticals, baby food and equipment, health products food products, and hygienic products, which have a special sensitivity regarding the health of their users. Numerous statutes and regulations set forth the rights of injured parties or injured classes who suffer damage as a result of any product that is assembled, stored, marketed, or sold by the Group. In case damage is caused to a consumer and/or a class of consumers by products purchased at the Group's branches, the Group could be held liable for such damage in a manner that could negatively affect the Group's business, financial position, and the results of its activity. The Group is insured against product liability risks, as aforesaid.

In addition, as of the Report Date, the Group, through Gidron, operates 3 manufacturing plants, and is accordingly subject to risks that generally apply to manufacturers and concern the manufacturing of food products. A significant manufacturing problem could have an adverse effect on the Group's business, financial position, and the results of its activity.

18.11 Recruiting and retaining manpower

The Group employs a large number of employees, most of whom are employed at the Group's branches and logistics centers. The retail sector along with other sectors, are exposed to the difficulty in the Israeli labor market of recruiting and retaining manpower mostly at low wage levels and high rates of manpower

turnover is the plight of many sectors in the Israeli economy. In addition, market competition may make it difficult for the Group to recruit and retain employees in the entire value chain, including in management positions. The Group invests resources in its processes for recruiting manpower in various channels and recruitment methods, including training employees when entering their position, rewarding manpower, conducting training and continuous improvement of manpower recruiting and retention processes. The Group also invests efforts in optimizing various processes required in the framework of the Group's activity. Difficulties in recruiting and retaining manpower could result in higher wage expenses for the Company due to the difficulty of recruiting employees at current wage levels, and, in some cases, in light of the need to invest in optimizing processes in the Group and mitigate exposure to inability to recruit manpower.

In 2024, the Group continued dealing with challenges on the manpower recruitment side, which increased with the start of the war.

For details on the Israel-Hamas war and its effect on manpower recruitment, see Section 7.1 above.

As set forth in section 16.4 above, the Group estimates that there is no dependency on any of its officers. Nonetheless, difficulty in recruiting, retaining and developing qualitative human capital in a variety of professional and managerial areas of the Group may lead to loss of knowledge, may impact the Group's business results and its ability to reach its targets.

18.12 Embezzlement and fraud

The Group is exposed to risks deriving from internal and external entities committing embezzlement and fraud, *inter alia* considering the nature and areas of the Group's activity that includes working with cash, credit cards, inventory, numerous vendors, information systems, and so forth. The Group is constantly acting to mitigate these risks, *inter alia*, using various electronic measures, through segregation of duties and an array of signatory rights in the Group, reporting and auditing mechanisms and incorporating automated tools for performing various actions in the Group.

Group-Specific Risks

18.13 The logistics centers, automated shipping warehouses and distribution channels

A large part of the products sold by the Group are distributed to the branches through the logistics centers, which provide a national logistical solution to all of the Group's branches, including institutional and business customers. If and insofar as the Group is unable to use the logistics centers, for any reason whatsoever, the Group's ability to distribute its products to the branches could be affected. The Group estimates that there may be a possibility to diver logistics activities between the logistics centers and prepare for direct distribution of most

products to all of its branches within reasonable time and according to the ability of vendors to supply products directly to the branches. For information about the Group's distribution system, see Section 8.15 above.

Lack of manpower, disruption in supply, harm to storage and transportation of products, unexpected changes in the level of demand that could make it difficult to plan forecasts and manage inventory levels may harm the availability of the products, the quality of the products and the level of service and profitability.

For further details on the effects of the war on the Group, see Section 7.1 above.

Furthermore, if the buildings housing the Group's headquarters and logistics centers as foregoing, are physically damaged, this could have a material adverse effect on the Group's activity and results.

The automated shipping centers – For details about the automated shipping warehouses of the Group, see section 8.15 above.

The complexity of operating the automated shipping centers may have an impact of failing to reach the Group's targets and harm its business activity.

18.14 Collective agreement

The Company is party to a collective agreement.

Most of the Company's employees are employed under a collective agreement. There is no certainty that such agreement shall be renewed, from time to time, without this involving lockouts on the part of the employees. Should a dispute break out with the employees involving lockouts or harm to the Group's activity, it could have a negative impact on the Group's business, financial position, and the results of its activity. In addition, renegotiation of collective agreements could result in additional wage expenses as result of granting additional financial rights to employees.

18.15 Brand contamination; reputational harm

The Group has a wide variety of brand-name foods and consumer goods as well as private brand products, which have been enjoying a strong reputation for many years. Damage to such reputation through various publications or otherwise, could have a negative impact on the Group's profit margins, regardless whether or not such publications are true. Furthermore, a defect in a specific product could damage the reputation of the master-brand under which it is marketed, as well as to the entire family of products marketed under the same brand. The Group makes sure to protect its brands and its reputation, including by being extra careful with respect to the quality of raw materials it uses to manufacture products, the manufacturing processes, the finished goods, and the advertising messages.

Similarly, the Group has goodwill associated with its various activities, including the food retail area and all components thereof. With respect to some of the Company's activities the activity is performed through concessionaires, subcontractors or outsourcing companies ("Subcontractors"). Acts and omissions by Subcontractors acting on behalf of the Group could harm the reputation and brand "Shufersal" or any of the Group brands, and impact the Group's business activity, and subsequently, its financial results.

18.16 Environmental protection

The Group is exposed in its areas of activity to various issues related to environmental protection. For additional details regarding the environmental and risks and the Group's policy for managing them, see Section 15 above.

18.17 Vouchers

The Group is exposed to the risks of issuing vouchers.

The Group issues vouchers and electronic coupons for purchasing goods at its branches and on its website, and at other retailers, with whom the Group has engaged for such purpose. Increased competition, a decrease in the scope of consumption and/or difficulty in developing and expanding activity, may adversely affect the business activity.

The Group is exposed to the risks of issuing such vouchers, including with respect to fraud and theft. Although the Group is taking measures to mitigate these risks, major fraud could have an adverse impact on the Group's business, financial position, and the results of its activity. The Group is also subject to the provisions of the Consumer Protection Law, and some provisions of the Payment Services Law, 5779-2019, and the provisions of the Regulation of Payment Services and Payment Initiation Law, 5773-2023. As of the Report Date, the Group estimates that its exposure is immaterial.

18.18 Data processing systems computerization and cyber

The Group views the cyber risk as potential for the realization of harm to goodwill and to its information systems. Therefore, for purpose of dealing with a potential cyber risk, the Group is active on various levels in order to guarantee and safeguard the availability, reliability and integrity of the information and information system. In this framework, the Group acted towards improving and upgrading the back system of the computer system in a manner compatible with the up-to-date standards, and which could serve the Group for purpose of recovering from a catastrophe. Responsibility for cyber security in the Group rests with the Company's Information Cyber Security and Privacy Protection Officer, subordinate to the VP of IT, who is subordinate to the CEO. The officer has a data security team and an external incident response team, and a team of

consultants in this area. The Group has formulated a multiyear workplan for treating existing data security gaps.

The cyber and privacy protection steering committee assembles periodically for the purpose of periodic data security and privacy protection survey and promoting various matters related to such activity. The Company's board of directors receives updates and conducts follow-up with regards to the process of implementing cyber security and privacy protection at the in the Group, and partakes in defining relevant policy. In addition, the Group has a protocol for Company conduct in case of cyber and data security incidents.

Managing the cyber risk is based on the principle of "layered protection", in addition to additional principles of data security, which are expressed and executed in internal processes performed by the Group. Nonetheless, the Group does not assumed that it is hermetically protected from an attack and/or abuse of security weaknesses that are frequently revealed, and therefore it is active on a few levels in reducing potential harm: the Group is taking action for the implementation of regulation that include privacy protection and the PCI-DSS standard (Paymer Card Industry Data Security Standard); conducting resilience tests and reviews for various external interfaces whether through automated tools or manual examinations by anyone authorized to do so; using expert entities for constantly improving the various protective systems in order to ensure that they are properly functioning and defined; activating a recovery plan and crisis management in the event of an attack; constant examination of the risk environment and implementing methods to increase capabilities to manage and control the affected cyber risks; explanatory actions for increasing the employees' awareness of data and cyber security aspects; practicing cyberattack crisis situations and activating a monitoring and warning center for data security events (SIEM/SOC) in real time that is based on market-leading products; managing an investment plan in favor of cross-organizational projects with the purpose of dealing with data and cyber security threats. In addition, the Group is insured against cyber risks.

18.19 Competition Law

In the past, a large part of the Group's growth was due to the acquisition of various retail activities. Future acquisitions of various food retail activities and/or entering additional retail areas that are not in the food sector could require approval of the competition system, and there is no certainty such approval shall be granted, whether it would be conditional, or the terms at which it could be stipulated on. Competition law may therefore restrict the Group in future acquisition and in developing new areas of activity, and as a result limit the Group's growth and prevent the Company from developing its business in the desired outline.

As of the Report Date, and considering the structure of the retail market in conjunction with the legal restrictions that apply to the Group, and also considering the provisions of the Food Law, the Group estimates that there is a small chance of the Group growing by way of acquiring a material player in the food retail area.

For further information, see Sections 7.4, 7.5 and 8.24 above and Note 29(b) of the Financial Statements.

In addition, the opening of new branches has a significant effect on the Company's growth. In the system of provisions regarding geographical competition of retailers, arrangements were set forth with the purpose of promoting and ensuring competition in food retail marketing on the regional level, which could adversely affect the Company in opening new large branches. For further details, see Section 8.24.4 above.

18.20 Non-realization of the Group's strategy

For details on the Group's business objectives and strategy, see Section 11 above. The Group is exposed to the risks related to implementing its strategy.

The Group's strategy, as approved by the Company's Board of Directors, requires substantial resources from the Group including major financial investments. Failure of the Group to attain its business objectives and strategy could have a material impact on the Group's business results, on its liquidity, asset value, the state of its business, credit rating, ability to distribute dividends, and on its ability to raise financing for its activity.

18.21 Retail space management

For information about the real estate properties used by the Group for its activity see Section 8.19 above. The Group is subject to risks that derive from unwise management of its mix of retail spaces and their adjustment to the Group's activity. According to the strategy, the Group intends to expand its online activity as described in this Report. Subsequently, as the share of this activity in the Company's total activity increases, the Group's need for physical retail space and for adjusting retail space is constantly examined and accordingly actions are taken.

The Group's inability to get out of existing lease contracts, could result in the Company holding surplus retail spaces that neither generate revenues nor hold business value, which could become onerous properties and negatively affect the Company's business results.

18.22 Termination of the operating agreement with the credit card issuer and recruiting credit card holders anew

Generally, termination of the Group's credit card operating agreement opposite the operating party could impose costs on the Group, and affect the scope of credit cards activity, including a reduction in the number of credit card holders. Furthermore, terminating the engagement with an entity providing benefits with respect to its credit cards could affect the number of credit card holders and the willingness of new customers to hold the Group's credit cards.

For information on the credit cards offered by the Group to its customers together with CAL, in the framework of their collaboration, see Section 8.10.5 above and Note 29(a) of the Financial Statements.

18.23 Legal proceedings

By the nature and area of the Group's activity and its high level of deployment in the population, the Group is exposed, from time to time, to class actions and other claims at large amounts, against which it is required to defend at substantial costs, even if such claims are unfounded to begin with.

Furthermore, the Class Action Law, 5766-2006, sets forth a general arrangement for filing class actions and significantly expands the causes of action for which it is possible to file a class action, the list of parties entitled to file a class action and removes various procedural barriers for conducting class actions; therefore, there is an upward trend in filing claims against entities such as the Group, alongside motions for their approval as class actions for various causes of action.

18.24 Business continuity

The Group has a BCP (Business Continuity Plan) for the business continuity for purpose of recovering from catastrophes that may shut down its activity. The purpose of the plan is to guarantee business continuity upon the occurrence of catastrophic events. The plan includes, *inter alia*, a supporting organizational structure and emergency officials (firefighters, first aid and civil defense), procedures, equipment for preparing for an emergency and drills, training and instruction of the emergency system, and a DRP (Disaster Recovery Plan) that deals with an emergency when the technological infrastructure is paralyzed. Difficulties in implementing the plan during a crisis/emergency and/or incomplete mapping of scenarios, may cause an inability to cope and swiftly recover, and expose the Group to harm to the business and operational continuity.

18.25 Safety at the workplace

The Group has real estate activity, many branches, logistics centers and automated shipping centers that employ many employees by the Group or through external contractors. In light thereof it is possible that the Group's employees and external contractors could be exposed to personal injury resulting from their work and/or from their work environment as foregoing. The Group

emphasizes safety at the workplace in the framework of working at the Group and in its engagements with external contractors., *inter alia*, through a safety department that is geographically spread out, safety procedures pursuant to the provisions of law, maintaining a safety committee, training and an extensive system for managing safety. Not complying with safety procedures may lead to injury to human life, significant financial costs, and it exposes the Company and its officers to criminal, administrative and civil liability.

Below are the Company's estimates on the risk factors' impact on the Group:

Type of risk	Impact of the risk factor on the Company		
	Low impact	Medium impact	High impact
Macro risks			
The state of the Israeli economy and retail food market		✓	
Public opinion and public discourse on cost of living Israel		✓	
Dependence on Israel's security and political situation		✓	
The capital and financial markets	✓		
Branch risks/branch-specific risks			
Dependence on vendors	✓		
Permits and licenses	✓		
Legislative and regulatory changes			✓
Competitiveness			✓
Real estate	✓		
Product liability and manufacturing quality		✓	
Recruiting and retaining manpower			✓
Embezzlement and fraud		✓	
Group-specific risks			
The logistics centers, automated shipping warehouses and the distribution channels			✓
The collective agreement		✓	
Brand contamination; reputational damage		✓	
Environmental protections	✓		
Coupons	✓		
IT, privacy, and cyber systems			✓
Restrictive trade practices/competition and the Food Law			✓
Non-realization of the Group's strategy			✓
Retail area management		✓	
End of the operation agreement with the credit card issuer and re-recruiting the credit card holders	✓		
Legal proceedings		✓	
Business continuity		✓	
Safety at the workplace		✓	

Part B

Director's Report

**For the Year Ended
December 31, 2024**



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Shufersal Ltd.

We hereby submit the Directors' Report of Shufersal Ltd. (hereinafter – "Shufersal" or "the Company") for the year 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".

The Directors' Report contains, inter alia, a description of the state of the Company's affairs, of its results of operations and of the manner material events in the reporting period affected the data in the Company's consolidated annual financial statements as at December 31, 2024 (hereinafter – "the financial statements").

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

1.1. Principal data regarding the business affairs of the Company

Shufersal is the largest and leading food and consumer products retail group in Israel.

For details regarding material events in the Group's operations during the reporting period, see Paragraph 1.1.3 of the description of the entity's business and Note 1.B to the financial statements.

1.1.1. Description of the operating segments reported in the financial statements of the Group

The Group operates in two operating segments that are reported in its financial statements: the retail segment and the real estate segment. For details regarding the aforesaid operating segments, see Note 31 to the financial statements.

1.1.2. Management's discussion of principal results for 2024

The Group's results for 2024 were affected by several principal matters:

- **Building a new and experienced management backbone.**
- **Focusing the commercial activity on the retail segment, which led to an increase in the Group's revenues and in its gross and operating profitability.**
- **Selling the Group's share of an associate company (see Paragraph 1.1.3 hereunder).**
- **Revaluing the liability in respect of contingent consideration that was created in 2022 from the acquisition of shares of "Dan Deal" Group (see Note 5.C to the financial statements.**
- **Adjusting the fair value of investment property following the cancellation of a combination transaction and joint venture transaction at the Kfar Saba junction pursuant to their terms.**

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 December 31, 2024.

1.1.3. Principal events that occurred in the reporting period

- A. See Paragraph 7.1 to the description of the entity's business for details regarding the “Iron Swords” war and its effect on the Group.
- B. See Paragraphs 3.1 and 3.2 to the description of the entity’s business for details regarding the acquisition of 24.99% of the Company’s share capital (as at the acquisition date) by Messrs. Yosef and Shlomo Amir and regarding a request to voluntarily apply certain restrictions that are applicable to controlling shareholders in a company.
- C. See Note 5.A to the financial statements for details regarding the sale of the Company’s holdings in Paybox.
- D. See Note 28.F(2) to the financial statements for details regarding a deductions audit of the tax authority.
- E. See Note 1.B to the financial statements for details regarding additional events that occurred in the Group in the reporting period.

1.2. Analysis of the Results of Operations**1.2.1. Analysis of the results for 2024 as compared to 2023 (in NIS millions)**

	2024	2023	Percentage of change	Explanation
Revenues	15,644	15,183	3.0%	The increase in revenues in 2024 is due to an increase in the amount of NIS 450 million in the revenues of the retail segment and to an increase in the amount of NIS 11 million in the revenues from external parties in the real estate segment. The increase in revenues in the retail segment is mainly due to an increase of 3.1% in same store sales ² on the backdrop of focusing the commercial activity of the Group. Sales per square meter ³ at the stores and delivery centers increased by 5% following an increase in sales and a reduction in selling areas. The rate of online sales is 19.3% in 2024 compared with 19.4% in 2023. The rate of private label sales is 22.2% in 2024 compared with 24.2% in 2023. The increase in revenues from external parties in the real estate segment is mainly due to an increase in rental space and the effect of the rise in the CPI.
Gross profit	4,431 28.3%	4,027 26.5%	10.0%	The increase in the gross profit in 2024 is mainly due to the increase in revenues as described above. The increase in the gross profit rate is mainly due to the increase in revenues along with streamlining various costs related to the cost of sales.
Selling, marketing, administrative and general expenses	(3,515) 22.5%	(3,422) 22.5%	2.7%	In view of the increase in operations, the opening of new branches and the rise in prices of inputs, there was an increase in selling, marketing, administrative and general expenses that was partly offset by streamlining measures that were implemented by the Group.
Operating profit before other income (expenses)	916 5.9%	605 4.0%	51.4%	The increase in the operating profit and in the operating profit rate is due to an increase in revenues and to an improvement in gross profitability as explained above.
Increase in fair value of investment property, net	1	57		The lower increase in the fair value of investment property is mainly due to a loss in the amount of NIS 38 million from cancelling a combination transaction at the Kfar Saba Junction pursuant to its terms.

² Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

³ 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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	2024	2023	Percentage of change	Explanation
Other income, net	76	45		In 2024 other income is mainly due to a gain in the amount of NIS 44 million from selling an associate company and to a gain in the amount of NIS 24 million from selling non-financial assets.
Operating profit after other income (expenses)	993 6.3%	707 4.7%	40.4%	The increase in the operating profit and in the operating profit rate is due to an increase in revenues and to an improvement in the gross profit as explained above.
Financing expenses, net	(143)	(222)	(35.6%)	The decrease in 2024 is mainly due to income in the amount of NIS 53 million from adjusting the fair value of the liability in respect of contingent consideration that was created from the acquisition of the "Dan Deal" group, and an increase in the amount of NIS 21 million in interest income on bank deposits.
Share of losses of associate company	(18)	(42)	(57.1%)	The change is due to the sale of the associate company in 2024.
Profit before taxes on income	832	443		The increase in the profit before taxes on income is due to the aforesaid.
Taxes on income	(167)	(120)		
Profit for the year	665 4.3%	323 2.1%		The increase in the profit for the year is due to the aforesaid.
Profit attributable to the Company's owners	657	312		
Profit attributable to non-controlling interests	8	11		
Basic and diluted earnings per share	2.47	1.17		
Operating profit before other income (expenses), depreciation and amortization (EBITDA)	1,952 12.5%	1,572 10.4%		The increase in the amount of NIS 380 million is mainly due to an increase in the Group's operating profit before other income (expenses) as aforesaid.

1.2.2. Additional information regarding the retail segment in 2024 as compared to 2023 (in NIS millions)

	2024	2023	Percentage of change
Gross profit	4,349	3,961	9.8%
Gross profit rate	28.0%	26.3%	1.7%
Same store sales ⁴	15,238	14,780	3.1%
Sales per square meter (gross) ⁵	26,375	25,118	5.0%

⁴ Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

⁵ 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.

1.2.3. Analysis of the results for 2023 as compared to 2022 (in NIS millions)

	2023	2022	Percentage of change	Explanation
Revenues	15,183	14,662	3.6%	The increase in revenues in 2023 was due to an increase in the amount of NIS 487 million in the revenues of the retail segment and to an increase in the amount of NIS 34 million in the revenues from external parties in the real estate segment. The increase in revenues in the retail segment was mainly due to an increase of 2.7% in same store sales ⁶ , to revenues from the Shufersal Stock operation that was acquired in August 2022 and an expansion of the business market activity by, inter alia, acquiring Yossi Israeli Distribution Ltd. in January 2023. Sales per square meter ⁷ at the stores and delivery centers decreased by 1.8% mainly because of an increase in selling areas following the transition of part of the online activity to the automated delivery center in Modi'in (about 43 thousand square meters), which as at December 31, 2023 was not yet operating on a full scale. The rate of online sales was 19.4% in 2023 compared with 21.1% in 2022. The rate of private label sales was 24.2% in 2023 compared with 24.4% in 2022. The increase in revenues from external parties in the real estate segment was mainly due to the effect of acquiring control in Lev Hamifratz in October 2023 and to an increase in the Consumer Price Index
Gross profit	4,027 26.5%	3,882 26.5%	3.7%	The increase in the gross profit in 2023 was mainly due to the increase in revenues as described above.
Selling, marketing, administrative and general expenses	(3,422) 22.5%	(3,844) 23.8%	(1.9%)	The decrease in 2023 in the amount of the expenses and in their rate was mainly due to continuing the implementation of the streamlining plan that was approved by the Company's board of directors in October 2022.
Operating profit before other income (expenses)	605 4.0%	394 2.7%	53.6%	The increase in 2023 was due to an increase in revenues and at the same time an improvement in the rate of operating expenses.
Increase in fair value of investment property, net	57	69		

⁶ Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

⁷ 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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	2023	2022	Percentage of change	Explanation
Expenses in respect of streamlining plan	-	(182)		
Other income, net	45	2		In 2023 other income was mainly due to income in the amount of NIS 43 million from changes in estimates in respect of non-financial assets.
Operating profit after other income (expenses)	707 4.7%	283 1.9%	150%	
Financing expenses, net	(222)	(207)	7.2%	The increase in 2023 was mainly due to an increase in financing expenses in respect of lease liabilities and a decrease in gain from foreign currency linked transactions, while on the other hand there was a decrease in the effect of the CPI on liabilities in respect of bonds and an increase in interest income on bank deposits.
Share of losses of associate companies, net	(42)	(42)		
Profit before taxes on income	443	34		
Taxes on income	(120)	(32)		
Profit for the year	323 2.1%	2 0%		
Profit attributable to the Company's owners	312	1		
Profit attributable to non-controlling interests	11	1		
Basic and diluted earnings per share	1.17	-		
Operating profit before other income (expenses), depreciation and amortization (EBITDA)	1,572 10.4%	1,294 8.8%		The increase in the amount of NIS 278 million was mainly due to an increase in the Group's operating profit before other income (expenses) as aforesaid.

1.2.4. Additional information regarding the retail segment in 203 as compared to 2022 (in NIS millions)

	2023	2022	Percentage of change
Gross profit	3,961	3,835	3.3%
Gross profit rate	26.3%	26.3%	-
Same store sales ⁸	14,780	14,393	2.7%
Sales per square meter (gross) ⁹	25,118	25,577	(1.8%)

⁸ Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

⁹ 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.

1.2.5. Analysis of the results for the three months ended December 31, 2024 as compared to the corresponding period last year (in NIS millions)

	Q4 2024	Q4 2023	Percentage of change	Explanation
Revenues	3,762	3,906	(3.7%)	The decrease in revenues in the fourth quarter of 2024 is due a decrease in the amount of NIS 148 million in the revenues of the retail segment which was partly offset by an increase in the amount of NIS 4 million in revenues from external parties in the real estate segment. The decrease in revenues in the retail segment is mainly due to a decrease of 3.8% in same store sales¹⁰ as a result of, inter alia, the effect of the war last year. Sales per square meter¹¹ at the stores and delivery centers decreased by 1.1% as a result of the decrease in sales being higher than the decrease in selling areas. The rate of online sales is 19.0% in the fourth quarter of 2024 compared with 17.7% in the corresponding period of last year. The rate of private label sales is 21.0% in the fourth quarter of 2024 compared with 23.8%% in the corresponding period of last year. The increase in revenues from external parties in the real estate segment is due to an increase in rental space and the effect of the rise in the CPI.
Gross profit	1,098 29.2%	1,031 26.4%	6.5%	The increase in the gross profit and in its rate from total revenues in the fourth quarter of 2024 is mainly due to streamlining various costs related to the cost of sales.
Selling, marketing, administrative and general expenses	(875) 23.3%	(867) 22.2%	0.9%	
Operating profit before other income (expenses)	223 5.9%	164 4.2%	36.0%	The increase in the operating profit and in its rate is due to an improvement in gross profitability as explained above.
Increase (decrease) in fair value of investment property, net	(32)	23		The lower increase in the fair value of investment property is mainly due to a loss in the amount of NIS 38 million from cancelling a combination transaction at the Kfar Saba Junction pursuant to its terms.

¹⁰ Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

¹¹ 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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	Q4 2024	Q4 2023	Percentage of change	Explanation
Other income, net	2	57		Th decrease in other income is mainly due to estimate adjustments that were made in the fourth quarter of 2023 in connection with the streamlining plan.
Operating profit after other income (expenses)	193 5.1%	244 6.2%	(21%)	
Financing expenses, net	20	(57)	135.1%	The change is mainly due to income in the amount of NIS 61 million from adjusting the fair value of the liability in respect of contingent consideration that was created from the acquisition of the “Dan Deal” group.
Share of losses of associate company	-	(9)		The change is due to realizing an investment in an associate company during 2024.
Profit before taxes on income	213	178		The increase in the profit before taxes on income is due to the aforesaid.
Taxes on income	(44)	(45)		
Profit for the period	169 4.5%	133 3.4%		The increase in the profit for the period is due to the aforesaid.
Profit attributable to the Company's owners	167	132		
Profit attributable to non-controlling interests	2	1		
Basic and diluted earnings per share	0.43	0.5		
Operating profit before other income (expenses), depreciation and amortization (EBITDA)	499 3.2%	427 10.9%		The increase in the amount of NIS 72 million is mainly due to an increase in the Group's operating profit before other income (expenses) as aforesaid.

1.2.6. Additional information regarding the retail segment for the three months ended December 31, 2024 as compared to the corresponding period last year (in NIS millions)

	Q4 2024	Q4 2023	Percentage of change
Gross profit	1,077	1,017	5.9%
Gross profit rate	28.9%	26.2%	2.7%
Same store sales ¹²	3,699	3,853	(4.0%)
Sales per square meter (gross) ¹³	6,371	6,444	(1.1%)

¹² Same store sales – gross sales of active stores that operated in the corresponding periods of the two compared years.

¹³ 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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1.2.7. Condensed consolidated income statements and consolidated statements of comprehensive income for 2024 by quarters and for the fourth quarter of 2023 (in NIS millions)

	2024					2023
	Total for the year	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter
Revenues	15,644	3,762	4,100	3,996	3,786	3,906
Gross profit	4,431	1,098	1,168	1,138	1,027	1,031
Selling, marketing, administrative and general expenses	(3,515)	(875)	(902)	(876)	(862)	(867)
Operating profit before other income (expenses)	916	223	266	262	165	164
Increase in fair value of investment property, net	1	(32)	10	16	7	23
Other income (expenses), net	76	2	54	9	11	57
Operating profit after other income (expenses)	993	193	330	287	183	244
Financing income (expenses), net	(143)	20	(55)	(55)	(53)	(57)
Share in losses of associate company	(18)	-	-	(9)	(9)	(9)
Profit before taxes on income	832	213	275	223	121	178
Taxes on income	(167)	(44)	(37)	(54)	(32)	(45)
Profit for the period	665	169	238	169	89	133

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	2024					2023
	Total for the year	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter
Other comprehensive income (loss) items that were initially recognized in comprehensive income and were or will be transferred to profit or loss	(4)	(3)	*-	(2)	1	(1)
The effective portion of the change in fair value of instruments used for cash flow hedging	*-	-	*-	*-	*-	-
Net change in fair value included in cost of hedging reserve	1	1	*-	*-	*-	1
Taxes on other comprehensive income items that were initially recognized in comprehensive income and will be transferred to profit or loss	<u>(3)</u>	<u>(2)</u>	<u>*-</u>	<u>(2)</u>	<u>1</u>	<u>-</u>
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						
Other comprehensive income (loss) items not transferred to profit or loss						
Remeasurement of defined benefit plan	(1)	(13)	-	12	-	(5)
Revaluation reserve for items of property, plant and equipment classified as investment property	(2)	-	-	(2)	-	-
Taxes on items of other comprehensive income that will not be transferred to profit or loss	1	3	-	(2)	-	1
Total other comprehensive income (loss) for the period not transferred to profit or loss, net of tax	<u>(2)</u>	<u>(10)</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>(4)</u>
Other comprehensive income (loss) for the period, net of tax	<u>(5)</u>	<u>(12)</u>	<u>*-</u>	<u>6</u>	<u>1</u>	<u>(4)</u>
Total comprehensive income for the period	<u>660</u>	<u>157</u>	<u>238</u>	<u>175</u>	<u>90</u>	<u>129</u>
Total comprehensive income attributable to:						
Owners of the Company	<u>652</u>	<u>155</u>	<u>237</u>	<u>171</u>	<u>89</u>	<u>128</u>
Non-controlling interests	<u>8</u>	<u>2</u>	<u>1</u>	<u>4</u>	<u>1</u>	<u>1</u>
Total comprehensive income (loss) for the period	<u>660</u>	<u>157</u>	<u>238</u>	<u>175</u>	<u>90</u>	<u>129</u>

* Indicates an amount lower than NIS 1 million.

1.3. Financial Position, Liquidity and Sources of Finance

1.3.1. Cash flow – Analysis of the results for 2024 as compared to 2023

Cash flow from operating activities

Net cash from operating activities amounted to NIS 2,238 million in 2024, compared with NIS 1,949 million in the previous 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, less a non-recurring effect last year following an improvement in payment terms with 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 819 million in 2024, compared with NIS 980 million in the previous year. The cash used in investing activities in 2024 included mainly a net investment in deposits in the amount of NIS 570 million and investments in non-financial assets (property, plant and equipment, intangible assets and investment property) in the amount of NIS 376 million, and on the other hand consideration received from the sale of an associate company in the amount of NIS 78 million and the receipt of interest in the amount of NIS 57 million. Cash used in investing activities in 2023 included mainly investments in non-financial assets (property, plant and equipment, intangible assets and investment property) in the amount of NIS 654 million.

Cash flow used in financing activities

Net cash used in financing activities amounted to NIS 1,157 million in 2024, compared with NIS 917 million in the previous year. The cash used in financing activities in 2024 included mainly the repayment of lease liabilities in the amount of NIS 583 million, the repayment of bonds and interest in the amount of NIS 387 million and the payment of a dividend in the amount of NIS 180 million. The cash used in financing activities in 2023 included mainly the repayment of lease liabilities in the amount of NIS 568 million, the repayment of bonds and interest in the amount of NIS 392 million and on the other hand receipt of a loan in the amount of NIS 57 million.

1.3.2. Cash flow – Analysis of the results for 2023 as compared to 2022

Cash flow from operating activities

Net cash from operating activities amounted to NIS 1,949 million in 2023, compared with NIS 1,319 million in 2022. The increase in cash flow from operating activities in 2023 was mainly due to changes in working capital items, mainly following an improvement in payment terms with credit card companies and to an increase in cash flow 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 980 million in 2023, compared with NIS 76 million in 2022. The change is mainly due to cash used for investing in deposits in the amount of NIS 354 million in 2023 compared with cash from withdrawing deposits in the amount of NIS 760 million in 2022.

Cash used in investing activities in 2023 included mainly investments in non-financial assets (property, plant and equipment, intangible assets and investment property) in the amount of NIS 654 million. Cash used in investing activities in 2022 included mainly investments in non-financial assets (property, plant and equipment, intangible assets and investment property) in the amount of NIS 711 million, business combinations in the amount of NIS 158 million and on the other hand net withdrawal of deposits in the amount of NIS 760 million.

Cash flow used in financing activities

Net cash used in financing activities amounted to NIS 917 million in 2023, compared with NIS 1,048 million in 2022. The cash used in financing activities in 2023 included mainly the repayment of lease liabilities in the amount of NIS 568 million, the repayment of bonds and interest in the amount of NIS 392 million and on the other hand receipt of a loan in the amount of NIS 57 million. The cash used in financing activities in 2022 included mainly the repayment of lease liabilities in the amount of NIS 508 million, the repayment of bonds and interest in the amount of NIS 393 million and the payment of a dividend in the amount of NIS 140 million.

1.3.3. Balances of liquid assets and financial ratios

As at the end of 2024, the net liquid assets (cash and cash equivalents and short-term deposits less short-term credit from banks) amounted to NIS 1,971 million, compared with NIS 1,133 million at the end of 2023.

As at the end of 2024, the liabilities to the holders of bonds and to banks, including interest payable (hereinafter – “**the gross financial debt**”) amounted to NIS 2,090 million, compared with NIS 2,367 million at the end of 2023 (for additional information, see Note 17 to the financial statements).

The ratio of the Group’s gross financial debt to its total assets was approximately 14.0% at the end of 2024, compared with 15.9% at the end of 2023.

As at the end of 2024 the **net financial debt** (the gross financial debt net of cash and cash equivalents and short-term deposits) amounted to NIS 107 million, compared with NIS 1,225 million as at the end of 2023.

As at the end of 2024, the Company’s total equity was NIS 4,039 million, compared with NIS 3,568 million as at the end of 2023. The ratio of the Company’s equity to its total assets is 27.1% in 2024, compared with 23.9% at the end of 2023.

1.3.4. Board of Directors’ discussion of the Company’s liquidity in view of the working capital deficit as at December 31, 2024

	NIS millions	
	2024	2023
Current assets	3,974	3,316
Current liabilities	4,610	4,390
Total working capital	(636)	(1,074)

As at December 31, 2024, the Company has a working capital deficit (consolidated) of NIS 636 million, compared with a working capital deficit of NIS 1,074 million as at December 31, 2023, and it has a working capital deficit (on a stand-alone basis) of NIS 765 million as at December 31, 2024, compared with a working capital deficit (on a stand-alone basis) of NIS 1,129 million as at December 31, 2023. Most of the decrease in the working capital deficit as at December 31, 2024 (consolidated and stand-alone) compared with December 31, 2023, is due to changes in current assets and liabilities. The Company ended 2024 with a positive cash flow from operating activities (see Paragraph 1.3.1 above).

As at the date of this report, the Company has agreements with three banking institutions to provide to the Company a guaranteed credit facility. The agreements are for periods ending in 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 December 31, 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 December 31, 2024, the Company does not have a liquidity problem.

It is emphasized that the information on the Company's accessibility to sources of financing and liquidity 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 the risk factors mentioned in Paragraph 18 of the description of the entity's business.

2. Description of Market Risks

2.1 Consumer Price Index risks

The Group is exposed to changes in the Consumer Price Index ("the CPI") mainly in respect of CPI-linked bonds issued by the Company that amount to NIS 643 million as at December 31, 2024 (compared with NIS 768 million as at December 31, 2023), loans from banks that amount to NIS 143 million as at December 31, 2024 (compared with NIS 147 million as at December 31, 2023) and lease liabilities that amount to NIS 4,382 million as at December 31, 2024 (compared with NIS 4,662 million as at December 31, 2023). Due to the aforesaid, the Group is exposed to CPI-linked payments in the annual amount of NIS 533 million in respect of lease liabilities, of NIS 177 million in respect of CPI-linked bonds and of NIS 12 million in respect of loans from banks. The Group has CPI-linked rental income from third parties in the annual amount of NIS 116 million.

As at December 31, 2024 the Group 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 267 million. The transactions are accounted for as accounting hedges. In 2024, the Group incurred financing income from these transactions in the amount of NIS 10 million, compared with financing income of NIS 9 million in the previous year.

See Note 32.B.3 to the financial statements regarding a sensitivity analysis.

2.2 Foreign currency risks

The Group's policy is to hedge the currency exchange rates in respect of import of goods from outside of Israel. As at December 31, 2024, the Group has forward contracts on the rate of the dollar in the amount of US\$ 13 million for settlement until June 2025 and forward contracts on the rate of the euro in the amount of € 10 million for settlement until June 2025. In 2024, the Group incurred financing income in the amount of NIS 3 million in respect of those contracts, compared with NIS 16 million in the previous year. The Group's exposure to foreign currency risks is immaterial.

2.3 Interest risks

The Group is not exposed to material changes in market interest rates since its financial assets and liabilities are mainly fixed rate. Therefore, a 1% change in the interest rate is not expected to have a material effect on the results of operations.

3. Corporate Governance Aspects

3.1. The Company's Board of Directors and its committees

As at the reporting date the Company's Board of Directors is comprised of ten directors, of which seven are external and/or 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 annual general shareholders' meeting of the Company 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), Ms. Tsili Naveh (independent director) and Mr. Moshe Weingarten as directors in the Company beginning from the date of the annual shareholders' meeting until the date of the Company's next annual shareholders' meeting. On the same day Mr. Ilan Ron and Mr. Ron Hadassi concluded their service as directors in the Company. See Note 32.A to the financial statements for more details regarding changes in the Company's Board of Directors in 2024.

The Board of Directors has several committees: an audit committee, a committee for examining the financial statements, a compensation committee, a strategy and business development committee, and a branch development committee. The Board of Directors and its committees hold detailed discussions on the various aspects of the Company's activity, as needed. Furthermore, in 2024 the Company had one additional committee – a committee for examining the profile of the position of chairman of the board, which was authorized by the Board of Directors to examine, inter alia, the need of appointing a chairman that is employed by the Company, and the required profile and extent of the position, and which presented its conclusions and recommendations before the Company's Board of Directors.

The Company has an internal enforcement plan in the area of securities laws, the purpose of which is to verify and enforce compliance by the Company, its officers and employees with the requirements of law in the area of securities, including on the basis of procedures that were adopted by the Company, and/or that it will adopt, from time to time, in this area. The Company's Board of Directors appointed Mr. Aaron Kaufman, the Company's General Counsel, as the person responsible for enforcement in the Company pursuant to the aforesaid plan.

3.2. Directors having accounting and financial expertise and independent directors

After evaluating the education, experience, qualifications and knowledge of the members of the Board of Directors relating to business/accounting matters and to financial statements, the members of the Board considered by the Board as having accounting and financial expertise, as at the reporting date, are: Erez Halfon, Eldad Avraham, Iris Shapira Yalon, Moshe Attias, Hezi Tzaig, Moshe Weingarten, Prof. Yitzhak Shapira and Tsili Naveh (for details with respect to the experience and education of the said directors, see Regulation 26 in Part D (Additional Details on the Corporation) of the Company's periodic report).

The Company's Board of Directors decided, pursuant to Section 92(A)(12) of the Companies Law – 1999, that the appropriate minimum number of Company directors with accounting and financial expertise is two, taking into account, inter alia, the Company's nature, size, the extent of its operations and their complexity.

The Company's articles do not provide any instruction regarding the number of independent directors on the Company's Board of Directors. As at the reporting date, the Company's Board of Directors is comprised of ten directors, of which seven are independent directors (two external directors and five independent directors). For details regarding the independent directors serving on the Company's Board of Directors, see Regulation 26 of Part D of the periodic report.

3.3. Disclosure regarding the internal auditor of the Company

Particulars of the internal auditor

1. The Company's internal auditor - Levi Steinbaum.
2. First date of service: October 1, 1997.
3. The internal auditor complies with the conditions provided in Section 3(a) of the Internal Audit Law – 1992 (hereinafter – “**the Internal Audit Law**”).
4. The internal auditor complies with the provisions of Section 146(b) of the Companies Law and the provisions of Section 8 of the Internal Audit Law.
5. The internal auditor is not an interested party of the Company and is not related to an interested party or an officer of the Company, and does not serve as the Company's external auditor or on its behalf. The internal auditor does not fill any other position in the Company besides internal auditor. In addition the internal auditor does not hold any securities of the Company.
6. To the best of the Company's knowledge, other than the employment of the internal auditor and his staff as described hereunder, the internal auditor and his staff do not have material business connections or any other material connections with the Company or a related party of the Company.
7. The internal auditor is an employee of the Company and serves as a senior officer in accordance with the law.

Appointment of the internal auditor

The internal auditor was appointed to his position at the Board of Directors' meeting on August 10, 1997 according to the provisions of the Internal Audit Law. The internal auditor is a CPA, holds a B.A. in economics, statistics and accounting and is an International Certified Internal Auditor (CIA) since 1994. It was determined that the internal auditor would act according to the provisions of the Law to perform an internal audit in Shufersal, taking note of, inter alia, its size, its volume of activity and the complexity of its activity.

Identity of the organizational function in charge of the internal auditor

The internal auditor reports to the Company's Chairman of the Board of Directors.

The work plan and the considerations it is based on

The annual work plan is submitted by the Internal Auditor and is approved by the Company's Audit Committee. In 2021 a risk survey was presented to the Company's Board of Directors and the 26 issues in the survey were reflected in the multi-year work plan. The survey was validated in February 2024 in the audit committee. Issues that arose in the risk surveys over the years serve as basis for preparing the multi-year work plan. As at the reporting date, the work plan for 2025 has not yet been approved, and it is expected to be presented to the Audit Committee for its approval after the new internal auditor that was appointed instead of Mr. Steinbaum begins his term as described hereunder. Compliance with the work plan is presented once a year to the Audit Committee.

The work plan generally includes: coverage of all important issues in all units of the Company, putting special emphasis on subjects that had been examined in the past and found to be highly exposed to risk, providing a response to items brought up in risk surveys that were performed in the Company and performance of an audit in fixed areas at reasonable intervals (once a year for important and material issues and once every three to four years for other matters).

During the reporting period, the Internal Auditor examined the manner of approval of certain material transactions (as defined in Section 5(f) to the fourth addendum to the reporting regulations) and examined non-extraordinary transactions with interested parties. The Internal Auditor was invited and was present at all the meetings of the Board of Directors and the Audit Committee, including meetings at which material transactions were discussed.

Audit of material investee companies of the Company

The internal audit plan includes audits of companies controlled by the Company.

Manner and scope of employment of the Internal Auditor and his staff and their remuneration

In 2024, the Company employed a staff of four full time employees (including the Internal Auditor) engaged in internal audit (hereinafter – "the internal audit department") and was also assisted by external parties for purposes of implementation of the work plan. In 2024, the internal audit department was assisted by external consultants in areas of information systems, embezzlement and fraud, business recovery and top-down perspective.

Number of hours invested in the internal audit of the Company in 2024	Number of hours invested in the internal audit of investee companies in 2024	Number of hours invested by external consultants in 2024
5,950	1,000	750

The work plan derives from a multi-year plan, and in the opinion of the Company's Board of Directors the number of hours provides a response to this plan and includes reference to the risk surveys performed in the Company.

Professional standards according to which the Internal Auditor performs the audit

According to information provided to management of the Company by the Internal Auditor, the internal audit is performed according to generally accepted professional internal auditing standards published by the international Institute of Internal Auditors (IIA) and according to the Internal Audit Law. The Board of Directors relied upon the reports of the Internal Auditor with respect to his compliance with the requirements of the said professional standards, according to which he performs the audit. In 2019 an internal audit quality assessment was performed by an external company which concluded that the internal audit in Shufersal generally complies with the guidelines of the IIA. An external QAR survey was planned to be performed in 2024 pursuant to standards of the IIA that require the performance of a survey every five years. The survey was not performed because of the Iron Swords war and the change in position holders in the Company in both the Board of Directors and management. It is noted that new standards came into effect in January 2025 and the Company is preparing for their implementation.

Access to information

Documents and information in the possession of the Company have been provided to the Internal Auditor for performance of his duty, as stated in Section 9 of the Internal Audit Law. Furthermore, free, constant and direct access to the information systems of the Company and of its principal investees, including the financial data, is provided to the Internal Auditor for performance of his work. The investee companies are for the most part managed in the information systems of the Company, and the Internal Auditor is authorized to inspect all data managed by the information systems including that of the principal investees.

Report of the Internal Auditor

Reports on the findings of the Internal Auditor are submitted regularly in writing to the Chairman of the Board, to the Chairman of the Audit Committee, to the members of the Audit Committee, to the joint CEOs and to the Company's external independent auditors. In 2024, the Audit Committee met to discuss the internal audit reports submitted for this year (19 reports) on the following dates: February 22, May 8, July 29, October 29 and December 24.

Board of Directors' assessment of the Internal Auditor's activities

According to the Board of Director's assessment, the scope, nature and continuity of the Internal Auditor's activities and work plan are reasonable in the circumstances and should achieve the Company's internal audit goals.

Remuneration of the Internal Auditor

The remuneration costs of the Internal Auditor for 2024 is NIS 1.6 million.

The total remuneration paid in 2024 to the staff of the internal audit department (excluding the Internal Auditor himself) amounted to NIS 1.1 million.

The remuneration to the Internal Auditor and to the staff of the internal audit department is not dependent on the results of the audit work. Accordingly, the Board of Directors believes that the aforesaid remuneration has no effect upon the professional judgment of the Internal Auditor and on the results of the audit.

End of term of the present Internal Auditor and appointment of a new Internal Auditor

On February 27, 2025 the Company's Board of Directors (after the recommendation of the Company's Audit Committee) appointed Mr. Yossi Ginosar as the Company's Internal Auditor, as from April 1, 2025, instead of the Internal Auditor who is retiring on March 31, 2025.

3.4. Disclosure regarding the fees of the independent auditors

Kesselman & Kesselman CPAs serve as the auditors of the Company and of material entities of the Company and the subsidiaries.

Presented hereunder is the overall fee of the Company and the subsidiaries' auditors in 2023 and 2024:

	2024	2023
	NIS millions	NIS millions
Auditing and audit-related tax services*	1.35	1.55
Other services to the Company	0.15	0.15
Total	1.5	1.7

* The tax services received by the Company from the independent auditors are immaterial compared with the audit services.

In negotiations held between the auditors and the highest ranking financial officer a fixed amount was set for the fee payable to the auditors for auditing services in 2023 (a fixed amount). The fee was determined with reference to the number of audit hours expected for the reporting year, and was approved by the Company's Board of Directors after receiving the recommendations of the committee for examining the financial statements, based on the actual amount of their work. The committee examined the amount of work of the auditors and their fee, which included taking note of Proposed Rules for Directors Conduct to Promote the Quality of Audit of Financial Statements (Best Practice), as issued by the Securities Authority in October 2021 as regards examination of the fee, and decided, inter alia, that the amount of work of the Company's auditor corresponds with the needs of the Company and its operations and is adequate for conducting a proper audit and review of the financial statements in the reporting year, and that the fee of the auditors is fair and reasonable. Regarding non-audit work, the fee was determined separately according to the amount of work required.

On September 1, 2024 the Company's annual general meeting decided, inter alia, 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.

3.5. Contribution to the community

A. Donation of funds or products in 2024

The Group views itself as committed to active and ongoing involvement in contribution to the community, and accordingly in August 2023 it adopted an updated policy for investing in the community. The Group acts to support underprivileged populations according to its values and in correlation with the core of its business activity. The community investment policy focuses on promoting food security, as well as promoting employment for underrepresented populations. In 2024 monetary contributions and gift cards amounted to NIS 10 million.

B. Contribution activities in respect of the Iron Swords war

The Shufersal group acts to support the community in national disaster and emergency situations that require providing an immediate and urgent response to communities under distress. Thus, as from the beginning of the "Iron Swords" war, the Company has acted to provide assistance and donations for supporting the people that were evacuated from their homes and the soldiers at gathering sites and it also prepared an immediate aid program for the farmers of 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. The Group also held commemorations in which it donated Torahs in remembrance of victims of the Iron Swords war and for the unity of Israel.

C. Contribution activities in 2024

As part of Shufersal's contribution to the community, the Company, among other things, conducts fundraising campaigns involving customers at the checkout counters of stores all over the country. Each fundraising campaign relates to a specific association according to the community investment policy that was formulated by the Group, and the funds raised are transferred to that association for its current operations in health, education, welfare and other fields. This is in addition to raising donations of food products on Rosh Hashana and Passover together with the "Latet" association. As part of the overall contribution activities, cash or cash equivalent (foodstuffs) in the amount of about NIS 13 million was donated to the various societies and organizations. In 2024 there were no donations higher than NIS 50 thousand to any one particular organization, other than donations to 10 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 date of the statement of financial position

- A. Pursuant to the Board of Directors' decisions from March 28, 2023 and June 27, 2023, the Company entered into a restructuring transaction with Shufersal Real Estate Ltd. ("Shufersal Real Estate") and Four Species Ltd. (both wholly owned companies of the Company), by which the Company's logistic centers in Shoham and Rishon Le-Zion and the Company's rights (25%) in the automated delivery center in Modi'in will be transferred to Shufersal Real Estate ("the restructuring transaction") in effect from March 31, 2023 and subject to receiving the necessary regulatory approvals. On March 12, 2025 the Company's Board of Directors decided to withdraw an application for a pre-ruling that it had submitted to the tax authority in connection with the restructuring transaction. In view of the aforesaid, the precondition prescribed in the restructuring transaction was not met and the transaction expired pursuant to its terms before being completed.

4.2. Information regarding material and very material valuations that served as a basis for determining the value of data in the financial statements

As at December 31, 2024 the Company does not have any 'very material' valuations, but has one 'material' valuation, in relation to examining the fair value of the liability in respect of contingent consideration of the subsidiary Shufersal Stock.

See annex A of this Directors' Report for information regarding this valuation in accordance with Regulation 8B(i) of the Reporting Regulations.

Board of Directors' Report on the State of the Company's Affairs for the Year Ended December 31, 2024

Shufersal Ltd.

5. Specific disclosure for holders of bonds

Data as at December 31, 2024

Series	Date of issuance	Par value on date of issuance (NIS millions)	Proceeds on date of issuance net of issuance expenses (NIS millions)	Carrying amount (NIS millions)*	Balance of par value, excluding linkage (NIS millions)	Balance of par value, including linkage (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 D	Oct. 2013	472	468	170	148	170	1	174	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	141	140	140	2	143	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	183	178	178	2	182	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	216	198	198	2	202	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 Year Ended December 31, 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)	Carrying amount (NIS millions)	Balance of par value, excluding linkage (NIS millions)	Balance of par value, including linkage (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	163	141	162	2	171	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	310	267	309	3	324	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	492	488	488	6	477	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	272	264	264	3	258	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	1,947	1,824	1,909	21	1,931							

* 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 G bonds are not linked to the CPI).

** No cash consideration was received in respect of those issues, which were performed as part of an exchange offer for Series B bonds of the Company as discussed in Notes 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. On February 20, 2025 the Company paid principal and interest on the Series G bonds in the amount of NIS 39 million.
4. Payments on account of bond principal in Series D, E and F are annual payments. The principal 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).
5. 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., 30 Sheshet Hayamim Road, Bnei Braq (tel: 03-5544553, fax. 03-5271736). The contact person at the trustee for the Series G bonds is Ms. Merav Ofer-Oren and/or Mr. Dan Avnon, e-mail: hermetic@hermetic.co.il.
6. In 2024 and up to the date of 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.
7. 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.
8. 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.
9. 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 and as amended on September 30, 2013) and 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.

Shufersal Ltd.

10. The Series D, E, F and G bonds include financial covenants. See Note 17 to the financial statements as at December 31, 2024, which are attached to this 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 December 31, 2024:

Financial covenant	Calculation results as at December 31, 2024
Ratio of net (financial) debt to total balance sheet shall not exceed 60%	0.7%
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 4,039 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 according to the terms of the Company's credit facilities) as at December 31, 2024:

Restriction	Calculation results as at December 31, 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 4,039 million
Ratio of the Company's net (financial) debt to EBITDA shall not exceed 7 (with respect to Series D, E and F bonds) and 5 (with respect to Series G bonds)	0.05

Details regarding the credit rating of the Company

As at the date of issuing 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 14, 2024 (reference no. 2024-15-610605).

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

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 affirmation 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

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 affirmation 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

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Annual report of outstanding liabilities by maturity dates

For data regarding the outstanding liabilities of the Company, 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 presented in this report by way of 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 work and their cooperation and contribution to the Company throughout the year.

Erez Halfon
Chairman of the Board

Shlomo Amir
Co-CEO

Yosef Amir
Co-CEO

March 25, 2025

Annex A

Information regarding a material valuation in accordance with Regulation 8B(i) of the Reporting Regulations

<u>Identification of valuation subject:</u>	Valuation to determine the fair value of the liability of the subsidiary Shufersal Stock Ltd. to pay a contingent consideration in respect of the acquisition of shares of the "Dan Deal" group and the Dan As Ltd. operation.
<u>Date of valuation:</u>	December 31, 2024.
<u>Value of valuation subject immediately prior to the date of the valuation (including depreciation and amortization) if generally accepted accounting principles did not require changing the value, according to the valuation:</u>	NIS 106 million
<u>Value of valuation subject according to the valuation:</u>	NIS 42 million
<u>Identification and nature of the valuer:</u>	
<u>Name and education of the valuer:</u>	The valuation was performed by BDO Consulting Group Ltd. The work was conducted by a team headed by Sagiv Mizrahi, CPA, a partner and team leader in the Corporate Finance department. Sagiv Mizrahi has a BA in Applied Mathematics from Bar-Ilan University and an MBA, cum laude, with specialization in finance management, from Tel Aviv University.
<u>Experience in performing valuations for accounting purposes in reporting entities and at scopes similar to that of the reported valuation or higher</u>	Sagiv has more than ten years of experience in economic and business consultation, valuing companies and financial instruments and various types of economic and accounting projects according to IFRS and US GAAP. In the past Sagiv was a lecturer at Bar Ilan University on accounting and valuations.
<u>Dependence on the requester of the valuation:</u>	None.
<u>Indemnification agreements with the valuer:</u>	The Company undertook to indemnify the valuer in respect of any amount he is required to pay in excess of three times his fee, unless it is determined that he acted negligently and/or maliciously, in which case no indemnification or compensation obligation will apply.
<u>The valuation model that was used by the valuer:</u>	The valuation was calculated according to the present value of the amount expected to be paid by Shufersal Stock to the sellers as at the date of the valuation, which reflects the fair value of the liability. The calculation of the consideration expected to be paid to the sellers is based on a forecast of discounted cash flows of Shufersal Stock for the years 2025-2026 and on draft financial statements of Shufersal Stock as at December 31, 2024.

The principal assumptions applied by the valuer in the valuation:

The acquisition consideration was calculated according to 36% of the amount obtained from a multiple of 8 on the average EBITDA of Shufersal Stock for the years 2025-2026 and adjustments for debt and working capital as they will be at the end of 2026 and other adjustments as agreed between the parties.

Forecasted average EBITDA for the years 2025-2026: NIS 16 million.

Discount rate: WACC (13%), debt price 5.38.

Part C

Financial Statements

For the Year Ended December 31, 2024

2024

Shufersal Ltd.

**Consolidated Financial
Statements
For the Year ended
December 31, 2024**

Consolidated Financial Statements as at December 31, 2024

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AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SHUFERSAL LTD.

With regard to audit of internal controls over financial reporting
pursuant to section 9B(c) of the Securities Regulations
(Periodic and Immediate Reports), 1970

We have audited internal controls over financial reporting at Shufersal LTD (hereinafter: "the Company") as of December 31, 2024. These control components have been determined as explained in the paragraph below. The Company's management and Board of Directors are responsible for maintaining effective internal control over financial reporting, and for assessment of the effectiveness of internal controls over financial reporting, which is enclosed with the periodic report as of said date. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

The Components of internal control over financial reporting which we audited were determined in accordance with Israeli Auditing Standard 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" (hereafter: "Israel Auditing Standard 911"). Those Components are: (1) Entity-level control, including controls over the process of preparation and closing of financial reporting and general controls over information technology; (2) controls over revenue recognition; (3) controls over purchasing; (4) controls over inventory; (5) controls over the payroll (all the above together hereinafter - "the audited control components").

We have conducted our audit in accordance with Israel Audit Standard 911. This standard requires us to plan and perform the audit to identify the audited control elements, and to achieve reasonable assurance whether these control elements have been effectively maintained in all material aspects. Our audit consisted of an understanding of internal control over financial reporting, identification of the audited control elements, assessment of the risk of material weakness in the audited control elements, as well as review and assessment of the effectiveness of design and operation of said control elements, based on the assessed risk. Our audit, with regard to the aforementioned control elements, also consisted of other procedures we deemed necessary under the circumstances. Our audit is only in reference to the audited control elements, unlike internal control of all material processes related to financial reporting, and therefore our opinion only refers to the audited control elements. Further, our audit did not refer to mutual influence among audited control elements and non-audited ones, and therefore our opinion does not take into account such potential influence. We believe that our audit provides an appropriate basis for our opinion within the aforementioned context.

Because of its inherent limitations, internal control over financial reporting in general and certain elements thereof in particular, may not prevent or detect misstatement. Also, projections of any evaluation of the effectiveness of specific controls or internal control over financial reporting overall to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material aspects, the audited control elements as of December 31, 2024.

We have also audited, in accordance with generally accepted audit standards in Israel, the Company's consolidated financial statements as of December 31, 2024 and 2023, and for each of the three years in the period ended on December 31, 2024, and our report dated March 25, 2025 included our unqualified opinion of said financial statements.

Tel Aviv, Israel
March 25, 2025

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



AUDITORS' REPORT TO THE SHAREHOLDERS OF SHUFERSAL LTD.

We have audited the accompanying consolidated statements of financial position of Shufersal Ltd. ("the Company") as of December 31, 2024 and 2023, and the consolidated statements of income, comprehensive income, changes in shareholders equity and cash flows for each of the three years in the period ended December 31, 2024. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain consolidated companies, whose assets included in consolidation constitute approximately 2.9% and 2.8% of total consolidated assets as of December 31, 2024 and 2023, respectively, and whose revenues included in consolidation constitute approximately 0.3%, 0.3% and 0.1% of total consolidated revenues for the years ended December 31, 2024, 2023 and 2022, respectively. Furthermore, we did not audit the financial statements of equity accounted investees, the investment in which amounted to approximately NIS 44 million as of December 31, 2023, and the Company's share in their losses amounted to approximately NIS 42 million and NIS 42 million for the years ended December 31, 2023 and 2022, respectively. The financial statements of those entities were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar, as it relates to amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2024 in conformity with International Financial Reporting Standards (IFRS Accounting Standards) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "An Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2023, and our report dated March 25, 2025 included an unqualified opinion on the effective maintenance of those components.

The key audit matters

The key audit matters below are the matters that were communicated or required to be communicated to the board of directors of the Company, and which, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. Those matters include, among others, any matter that (1) relates, or may relate, to items or disclosures that are material to the financial statements; and (2) involve our especially challenging, subjective or complex judgments. Those matters were addressed in our audit and in forming our opinion on the consolidated financial statements, as a whole. The communication of those matters below does not alter our opinion on the consolidated financial statements taken as a whole, and we are not, by communicating the key audit matters below, providing a separate opinion on those matters or on the accounts or disclosures to which they relate.

Fair value of investment property

As described in Note 3.E and Note 11 to the consolidated financial statements, the Company initially measures investment property at cost and in subsequent periods at fair value. Changes in fair value are recognized in profit or loss.

The balance of investment property as of December 31, 2024 is NIS 1,540 million. The increase in the fair value of investment property for the year ended December 31, 2024 is NIS 1 million.

The fair value of investment property is measured based on valuations made by independent valuers. The fair value of rental property is estimated using the discounted earnings approach or the residual approach.

Critical estimates used in calculating the fair value of investment property

As said above, fair value is estimated using the discounted earnings approach or the residual approach. In the discounted earnings technique, the valuation model is based on the net annual cash flows, based on existing and forecasted income from the property, and they are discounted using a rate reflecting their specific inherent risks, as commonly applied to comparable assets. When lease agreements are present in practice for which payments differ from market rent, adjustments are made to reflect the actual rent payments over the term of contract. Valuations factor in the type and financial robustness of tenants occupying the properties, those liable to satisfy lease obligations or those that may be in the leased property after it was vacant, division of responsibility for upkeep and insurance coverage between the Group and tenants, the physical condition of the property, and the remaining economic life of the property, wherever those factors are relevant. When using the residual approach, valuations are based on extracting the fair value of the investment property after construction is completed, based on its as-completed value or the net cash flows expected to be received from the property, after discounting at an appropriate discount rate, less the present value of estimated construction costs that are expected to be incurred for its completion, and less reasonable developer's profit, when relevant, using a discount rate that is aligned with relevant risks and other characteristics of the property.

A change to those estimates and assumptions may have a material impact on the value of investment property as presented in the Company's financial statements.

We have identified management estimates and assumptions used for measuring the fair value of investment property as a key audit matter.

Auditing the fair value of investment property requires judgment by the auditor when examining how management substantiated the appropriateness of the assumptions and estimates used in measuring the fair value of investment property.

The audit procedures used to address the key audit matter

The following are the main procedures we performed to address this key matter in our audit:

- Understanding the internal control environment in relation to measuring the fair value of investment property and auditing the effectiveness of internal controls connected to determining that value
- Examining the completeness and accuracy of information and data used in the model for fair value measurement
- Reviewing the methodology selected for the measurement of fair value and examination that it is appropriate for property characteristics
- Examining reasonableness of the estimates selected by management, based on common practice and market data, and considering current market transactions and industry surveys
- Reviewing valuations on a test basis, by expert appraisers we commissioned
- Examining appropriateness and completeness of the notes and other disclosures in the consolidated financial statements in connection to investment property
- Understanding the procedures performed by other auditors in response to the key audit matter and reviewing their findings.



Fair value measurement of liability in respect of contingent consideration

As described in Note 5.C.2 to the consolidated financial statements, the consideration for the shares and operation that were acquired from the shareholders of “Dan Deal Group” by Shufersal Stock Ltd. (hereinafter – “Shufersal Stock”) included performance-based consideration (hereinafter – “contingent consideration”).

As mentioned in Notes 3.A and 3.B to the consolidated financial statements, the liability in respect of contingent consideration is measured at fair value, and changes in the fair value after the acquisition date are recognized in profit or loss within financing expenses/income.

As at December 31, 2024 the estimated amount of the liability in respect of contingent consideration is NIS 42 million. Furthermore, income in the amount of NIS 53 million from adjusting the fair value of the liability was included in financing income in 2024.

The process of measuring the fair value of the liability in respect of contingent consideration is based on significant estimates that involve uncertainty and on subjective assessments. Changes in such estimates and assessments may have a material impact on the balance of the liability in respect of contingent consideration that is presented in the Company's financial statements.

The principal estimates that are the basis for calculating the fair value of the liability in respect of contingent consideration

When the Company calculates the fair value of the liability in respect of contingent consideration it exercises judgment mainly in determining the average forecasted EBITDA of Shufersal Stock for 2025-2026.

We have identified the estimates that are the basis for measuring the fair value of contingent consideration as a key audit matter.

Auditing the fair value of the liability in respect of contingent consideration requires judgment by the auditor, as well as professional knowledge and experience, when examining reasonableness of the assumptions and data used by management in determining the fair value of the liability in respect of contingent consideration.

The audit procedures performed to address the key audit matter

The following are the main procedures we performed to address this key matter in our audit:

- Reviewing the methodology for determining the amount of the contingent consideration and examining alignment with its characteristics
- Examining the completeness and accuracy of information and data used in calculating the contingent consideration
- Examining reasonableness of management assumptions
- Reviewing valuations by expert appraisers we commissioned
- Examining appropriateness and completeness of the notes and disclosures in the consolidated financial statements in connection with the fair value measurement of the liability in respect of contingent consideration.

Tel Aviv, Israel
March 25, 2025

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

Consolidated Statements of Financial Position

		December 31 2024	December 31 2023
	Note	NIS millions	NIS millions
Assets			
Cash and cash equivalents		945	683
Short-term deposits	4	1,038	459
Trade receivables	6	975	997
Other receivables	7.A	138	214
Inventory	8	878	*963
Total current assets		3,974	3,316
Investment in associate	5.A	-	44
Capital notes of associate	5.B	-	62
Other receivables	7.B	108	117
Other investments	9	29	29
Property, plant and equipment	10	3,398	*3,652
Investment property	11	1,540	1,515
Intangible assets	12	1,546	1,545
Right-of-use assets	13	4,171	4,482
Deferred taxes	28	156	151
Total non-current assets		10,948	11,597
Total assets		14,922	14,913

(*) Reclassified – see Note 10.

Signed on behalf of the Board of Directors:

Erez Halfon Chairman of the Board of Directors

Shlomo Amir Co-CEO

Yosef Amir Co-CEO

Gil Weiss Chief Financial Officer

Date of approval: March 25, 2025

Consolidated Statements of Financial Position

		December 31 2024	December 31 2023
	Note	NIS millions	NIS millions
Liabilities			
Current maturities of liabilities to banks		12	9
Current maturities of bonds	17	328	309
Current maturities of lease liabilities	13	437	434
Trade payables	15	2,407	2,297
Other payables	14	1,365	1,270
Provisions	16	61	71
Total current liabilities		4,610	4,390
Liabilities to banks		131	138
Bonds	17	1,619	1,911
Lease liabilities	13	3,945	4,228
Employee benefits, net	18	265	259
Other liabilities	19	89	213
Deferred taxes	28	224	206
Total non-current liabilities		6,273	6,955
Total liabilities		10,883	11,345
Equity	20		
Share capital		245	245
Share premium		1,649	1,649
Reserves		74	78
Treasury shares		(85)	(85)
Retained earnings		2,053	1,582
Total equity attributable to owners of the Company		3,936	3,469
Non-controlling interests		103	99
Total equity		4,039	3,568
Total liabilities and equity		14,922	14,913

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

Consolidated Statements of Income for the Year Ended December 31

	Note	2024 NIS millions	2023 NIS millions	2022 NIS millions
Revenues	24.A	15,644	15,183	14,662
Cost of revenues	24.B	11,213	11,156	10,780
Gross profit		4,431	4,027	3,882
Selling and marketing expenses	25.A	3,296	3,168	3,198
General and administrative expenses	25.B	219	254	290
Total selling, marketing, general and administrative expenses		3,515	3,422	3,488
Operating profit before other income (expenses)		916	605	394
Expenses in respect of streamlining plan		-	-	(182)
Increase in fair value of investment property, net	11	1	57	69
Other income, net	26	76	45	2
Other income (expenses), net		77	102	(111)
Operating profit after other income (expenses)		993	707	283
Financing expenses	27	(300)	(310)	(285)
Financing income	27	157	88	78
Financing expenses, net		(143)	(222)	(207)
Share in losses of associate companies, net	5.A	(18)	(42)	(42)
Profit before taxes on income		832	443	34
Taxes on income	28	(167)	(120)	(32)
Profit for the year		665	323	2
Profit attributable to:				
Owners of the Company		657	312	1
Non-controlling interests		8	11	1
Profit for the year		665	323	2
Earnings per share	21			
Basic and diluted earnings per share (in NIS)		2.47	1.17	0.00

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

Consolidated Statements of Comprehensive Income for the Year Ended December 31

		2024	2023	2022
	Note	NIS millions	NIS millions	NIS millions
Profit for the year		665	323	2
Other comprehensive income (loss) items 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 financial instruments that are cash flow hedges		(4)	(3)	*_
Net change in fair value of financial instruments 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	28	1	1	*_
Total other comprehensive income (loss) for the year that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax		(3)	(2)	*_
Other comprehensive income (loss) items that will not be transferred to profit or loss				
Remeasurement of defined benefit plan	18	(1)	(5)	48
Revaluation of property, plant and equipment classified as investment property	10	(2)	16	6
Taxes on other comprehensive income items that will not be transferred to profit or loss	28	1	(3)	(12)
Other comprehensive income (loss) for the year that will not be transferred to profit or loss, net of tax		(2)	8	42
Other comprehensive income (loss) for the year		(5)	6	42
Total comprehensive income for the year		660	329	44
Total comprehensive income attributable to:				
Owners of the Company		652	318	43
Non-controlling interests		8	11	1
Total comprehensive income for the year		660	329	44

* Indicates an amount lower than NIS 1 million.

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

Consolidated Statements of Changes in Equity for the Year Ended December 31

	Attributable to owners of the Company						Non-controlling interests NIS millions	Total NIS millions
	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions		
Balance as at January 1, 2024	245	1,649	78	(85)	1,582	3,469	99	3,568
Share based payment	-	-	-	-	(5)	(5)	(4)	(9)
Exercise of employee options	*-	*-	-	-	-	-	-	-
Vesting of restricted share units granted to employees	*-	*-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	(180)	(180)	-	(180)
Profit for the year	-	-	-	-	657	657	8	665
Other comprehensive loss for the year	-	-	(4)	-	(1)	(5)	-	(5)
Balance as at December 31, 2024	245	1,649	74	(85)	2,053	3,936	103	4,039

* Indicates an amount lower than NIS 1 million.

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

Consolidated Statements of Changes in Equity for the Year Ended December 31

	Attributable to owners of the Company						Non-controlling interests NIS millions	Total NIS millions
	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions		
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 share units granted to employees and equipment	*-	*-	-	-	-	-	-	-
Profit for the year	-	-	(1)	-	-	(1)	-	(1)
Other comprehensive income (loss) for the year	-	-	-	-	312	312	11	323
	-	-	10	-	(4)	6	-	6
Balance as at December 31, 2023	<u>245</u>	<u>1,649</u>	<u>78</u>	<u>(85)</u>	<u>1,582</u>	<u>3,469</u>	<u>99</u>	<u>3,568</u>
Balance as at January 1, 2022	245	1,649	62	(85)	1,350	3,221	(1)	3,220
Share based payment	-	-	-	-	9	9	-	9
Exercise of employee options	*-	*-	-	-	-	-	-	-
Vesting of restricted share units granted to employees	*-	*-	-	-	-	-	-	-
Non-controlling interests in respect of business combination	-	-	-	-	-	-	84	84
Dividends to shareholders	-	-	-	-	(140)	(140)	-	(140)
Hedging gains and losses and cost of hedging that were transferred to cost of property, plant and equipment	-	-	2	-	-	2	-	2
Profit for the year	-	-	-	-	1	1	1	2
Other comprehensive income for the year	-	-	5	-	37	42	-	42
Balance as at December 31, 2022	<u>245</u>	<u>1,649</u>	<u>69</u>	<u>(85)</u>	<u>1,257</u>	<u>3,135</u>	<u>84</u>	<u>3,219</u>

* Indicates an amount lower than NIS 1 million.

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

Consolidated Statements of Cash Flows for the Year Ended December 31

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Cash flows from operating activities			
Profit for the year	665	323	2
Adjustments for:			
Depreciation of property, plant and equipment	471	426	400
Depreciation of right-of-use assets	472	450	418
Amortization of intangible assets	93	91	82
Taxes on income included in income statements	167	120	32
Income taxes paid, net	(96)	(120)	(97)
Financing expenses, net	143	222	207
Share in losses of associate companies, net	18	42	42
Increase in fair value of investment property, net	(1)	(57)	(69)
Expenses in respect of streamlining plan	-	-	182
Change in employee benefits	(9)	(15)	2
Loss (gain) on sale of non-financial assets	(24)	1	(13)
Changes in estimates in respect of non-financial assets	(7)	(43)	-
Share-based payment	(9)	21	9
Gain from sale of associate*	(44)	-	-
Loss from realization of debt instruments at amortized cost	-	-	1
Change in trade receivables	22	*483	(22)
Change in other receivables	86	(5)	7
Change in inventory	85	(73)	29
Change in trade payables	154	30	46
Change in other payables, provisions and other	52	53	61
Net cash from operating activities	<u>2,238</u>	<u>1,949</u>	<u>1,319</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment	(265)	(528)	(598)
Proceeds from sale of property, plant and equipment	7	7	3
Investment in intangible assets	(102)	(92)	(82)
Business combinations, net of cash acquired	-	(8)	(158)
Investment in investment property	(9)	(34)	(31)
Consideration from sale of associate*	78	-	-
Other long-term investments	-	-	(10)
Change in cash in respect of futures contracts, net	3	34	(4)
Realization of debt instruments at amortized cost	-	-	73
Investment in associate company*	(18)	(39)	(4)
Investment in capital notes of associate company	-	-	(39)
Redemption of (investment in) short-term deposits, net	(570)	(354)	760
Interest received	57	34	14
Net cash used in investing activities	<u>(819)</u>	<u>(980)</u>	<u>(76)</u>

* See Note 5.A hereunder.

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

Consolidated Statements of Cash Flows for the Year Ended December 31

	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Cash flows used in financing activities			
Repayment of principal of bonds	(290)	(283)	(278)
Repayment of principal of loans from banks	(9)	(9)	(6)
Interest paid	(97)	(109)	(115)
Repayment of principal and interest of lease liabilities	(583)	(568)	(508)
Exercise of option to acquire rights in subsidiary	(5)	(8)	-
Dividend paid	(180)	-	(140)
Proceeds (payments) in respect of hedging transactions	7	3	(1)
Receipt of loans from banks	-	57	-
Net cash used in financing activities	(1,157)	(917)	(1,048)
Change in cash and cash equivalents	262	52	195
Cash and cash equivalents at the beginning of the year	683	631	436
Cash and cash equivalents at the end of the year	945	683	631

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

Note 1 - General

A. 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 consolidated financial statements as at December 31, 2024 comprise the financial statement data of the Company, its subsidiaries (hereinafter together – “the Group”) and the Company’s rights in an associate company and in joint arrangements.

The Group is involved in two areas of activity: [1] Retail activity – marketing and selling of food, pharmacy and other products to private customers, businesses, retailers and institutional entities by means of operating physical stores in various formats and online; management of a customer loyalty program (also by means of managing a credit card loyalty program) and the manufacture of baked products that are sold mainly in the Company's branches; and [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. The securities of the Company are registered for trade on the Tel Aviv Stock Exchange.

The Company is a company without a controlling shareholder, as the term “control” is defined in Section 1 of the Securities Law, 1968.

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 downgrades in Israel’s credit rating by the international rating agencies, on the backdrop of, inter alia, concerns regarding an additional deterioration in the security situation, the war developing on additional fronts 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.

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 1 - General (cont'd)**B. Material events in the reporting period**

- (1) 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. See Note 32 hereunder for details regarding their appointment as co-CEOs of the Company, the approval of the terms of service and a change in the composition of the Company's Board of Directors.
- (2) 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.
- (3) See Note 5 hereunder for details regarding the sale of an associate.
- (4) See Note 16 hereunder for details regarding developments relating to claims and legal proceedings.
- (5) See Note 20.B hereunder for details regarding transactions to acquire holdings in companies.
- (6) See Note 5.C hereunder for details regarding an update to the contingent consideration in respect of the acquisition of shares of "Dan Deal Group".
- (7) See Note 11.E.(3) hereunder for details regarding cancellation of a combination agreement and joint venture transaction involving real estate in Kfar Saba pursuant to their terms.

C. Definitions

In these financial statements –

- (1) The Company – Shufersal Ltd.
- (2) The Group – The Company and its consolidated companies.
- (3) Consolidated companies/Subsidiaries – Companies, including a partnership, the financial statements of which are fully consolidated with the financial statements of the Company.
- (4) Investee companies – Consolidated companies, including a partnership or joint ventures, the Company's investment in which is stated in these financial statements on the equity basis or on a proportionate consolidation basis.
- (5) Related party – Within its meaning in IAS 24 (2009), "Related Party Disclosures".
- (6) Interested parties – Within their meaning in Paragraph (1) of the definition of an "interested party" in Section 1 of the Securities Law - 1968.

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards). Furthermore, the financial statements have been prepared in accordance with the Securities Regulations (Preparation of Annual Financial Statements) - 2010. The consolidated statements were authorized for issue by the Company's Board of Directors on March 25, 2025.

B. Functional and presentation currency

These consolidated financial statements are presented in NIS, which is the functional currency of the Group and Group companies, and have been rounded to the nearest million, unless stated otherwise. The NIS is the currency that represents the principal economic environment in which the Group operates.

C. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities:

- Financial instruments, derivatives and other assets and liabilities measured at fair value.
- Investment in associate companies and joint ventures.
- Investment property measured at fair value.
- Deferred tax assets and liabilities.
- Assets and liabilities for employee benefits.
- Provisions.

For further information regarding the measurement of these assets and liabilities, see Note 3 regarding material accounting policies.

D. Operating cycle

The Group's operating cycle is one year.

E. Use of significant estimates and judgments

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

The preparation of accounting estimates used in the preparation of the Group's financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 2 - Basis of Preparation (cont'd)**E. Use of significant estimates and judgments (cont'd)**

Information about assumptions made by the Group with respect to the future and other reasons for uncertainty with respect to estimates that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year are included in the following notes:

- **Recoverable amount of cash generating units** – Note 3.G regarding impairment testing and Note 12 regarding goodwill.
- **Fair value measurement of investment property** – Note 11 regarding investment property.
- **Assessment of probability of contingent liabilities and measurement of provisions** – Note 3.J regarding provisions and Note 16.
- **Fair value measurement of liability in respect of contingent consideration** – See Note 3.B.(2) regarding non-derivative financial liabilities, Note 5.C.2 and Note 23 regarding contingent consideration.

F. Determination of fair value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 5.C.(2), on liability in respect of contingent consideration;
- Note 11, on investment property;
- Note 12, on intangible assets; and
- Note 23, on financial instruments;

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data.

G. New standards and amendments to standards**1. Initial application of new standards, new interpretations and amendments**

(1) 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 (see 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.

Note 2 - Basis of Preparation (cont'd)**G. New standards and amendments to standards (cont'd)****1. Initial application of new standards, new interpretations and amendments (cont'd)****(1) Amendment to IAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* and subsequent amendment: *Non-Current Liabilities with Covenants* (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 annual reporting periods beginning on or after January 1, 2024. Application of the Amendment did not have a material effect on the 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).

The Company retrospectively applied the decision in these consolidated financial statements. As a result the Company expanded the information disclosed in the note on segment reporting. See Note 31 hereunder.

Note 2 - Basis of Preparation (cont'd)**G. New standards and amendments to standards (cont'd)****2. New standards and amendments not yet adopted****IFRS 18, *Presentation and Disclosure in Financial Statements***

This standard replaces IAS 1, *Presentation of Financial Statements*. The standard provides guidance for improving the structure and content of the financial statements, particularly the income statement. The standard includes new disclosure and presentation requirements as well as requirements that were taken from IAS 1, *Presentation of Financial Statements* with small changes. As part of the new presentation requirements, companies will be required to present two subtotals in the income statement: operating profit and profit before financing and taxes. Furthermore, in accordance with IFRS 18, income statement items will be classified into one of five categories: operating, investing, financing, taxes on income and discontinued operations.

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.

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 standard's initial date of application is for annual reporting periods beginning on or after January 1, 2027 with earlier application being permitted.

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

Note 3 - Material Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, including associate companies.

A. Basis of consolidation and business combinations

The Company distinguishes between the acquisition of an asset (or group of assets) and the acquisition of a business. The Company applies the acquisition method when the acquisition is of a business.

In accordance with the acquisition method, the Group recognizes goodwill on acquisition according to the fair value of the consideration transferred including any amounts recognized in respect of rights that do not confer control in the acquiree as well as the fair value at the acquisition date of any pre-existing equity right of the Group in the acquiree, less the net amount of the identifiable assets acquired and the liabilities assumed.

The Group allocates the goodwill to units or groups of units that represent the lowest level at which goodwill is monitored for internal management purposes, which is not larger than an operating segment.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree and the liabilities incurred by the Group to the previous owners of the acquiree. In a step acquisition, the difference between the acquisition date fair value of the Group's pre-existing equity rights in the acquiree and the carrying amount at that date is recognized in profit or loss under other income or expenses. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognizes changes in the fair value of contingent consideration classified as a financial liability in profit or loss within financing expenses/income.

See Note 5.C for more information.

A put option issued by the Group to non-controlling interests that is settled in cash is recognized as a liability at the present value of the exercise price. Changes in the value of the liability are recognized in profit or loss according to the effective interest method and are presented within the financing item. The Group's share of a subsidiary's results includes the share of the non-controlling interests to which the Group issued a put option also when the non-controlling interests have access to the returns arising from the interests in the subsidiary.

B. Financial instruments**(1) Non-derivative financial assets**

The Group's financial assets mainly include cash and cash equivalents, deposits, short-term trade receivables, other receivables and other investments. The Group initially recognizes trade receivables on the date that they are created. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets are classified to categories of financial assets at amortized cost and of financial assets at fair value through profit or loss. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or creation of the financial asset, except for financial assets measured at either fair value or through profit and loss, which are recognized initially at their fair value, and transaction expenses thereon are recognized in profit and loss, and except for trade receivables that do not include a significant financing component, which are initially measured at their transaction price.

Note 3 - Material Accounting Policies (cont'd)**B. Financial instruments (cont'd)****(1) Non-derivative financial assets (cont'd)**

The Group has trade receivables, other receivables, investments in capital notes of an associate company, deposits and debts instruments held within a business model with the objective of collecting the contractual cash flows. The contractual cash flows in respect of these financial assets include only payments of principal and interest that reflect consideration for the time value of money and credit risk. Accordingly, these financial assets are measured at amortized cost, less forecasted credit losses.

Cash and cash equivalents include cash balances available for immediate use and call deposits. Cash equivalents include short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value.

See Notes 4, 5.C, 6, 7, 9 and 23 for more information regarding the Group's financial assets.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities mainly include: bonds issued by the Company, credit from banks, lease liabilities, liability in respect of contingent consideration, liabilities in respect of vouchers that can be realized at third parties and trade and other payables. Those liabilities are measured at amortized cost, other than the liability in respect of contingent consideration that is measured at fair value.

See Notes 13, 14, 15, 17, 19 and 23 for more information regarding the Group's financial liabilities.

(3) Derivative financial instruments

The method of recognizing changes in the fair value of financial instruments in profit or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if yes, on the nature of the hedged item.

The Group holds derivative financial instruments for the purpose of economically hedging its linkage and foreign currency exposures, and hedge accounting is not applied in their respect. These derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the derivatives are measured at fair value, and changes therein are recognized in profit or loss as financing income or financing expenses. In the statement of cash flows, the Groups presents the amounts received and paid in respect of these derivatives as a part of investing activities.

The Group designates certain derivatives as hedging instruments in order to hedge changes in cash flows that can be attributed to a specific risk attributable to an asset or liability that were recognized or to a highly probable forecasted transactions and which can affect profit or loss (cash flow hedge). Hedge accounting is applied to these instruments.

Note 3 - Material Accounting Policies (cont'd)**C. Property, plant and equipment**

The Group measures property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, depreciation expenses in respect of the lease of the land on which the asset is located (in certain cases), as well as any other costs directly attributable to bringing the assets to a working condition for their intended use. Spare parts, servicing equipment and stand-by equipment are classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16, and are otherwise classified as inventory.

Gains or losses on disposal of a fixed asset item are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are recognized within “other income” or “other expenses”, as relevant, in profit or loss.

When determining whether to capitalize costs incurred in subsequent periods, including costs of replacing components, the Group examines the nature of the cost for the purpose of deciding whether to capitalize or recognize as an expense. When the cost improves or enhances the asset, it capitalizes, and when the cost keeps the asset in its present condition it recognizes an expense.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management. As regards examining the functionality of a new automated delivery center, the delivery center reaches the location and condition required for it to operate in the manner intended by management at the end of the pilot period and before the beginning of the running-in period.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, other than freehold land that is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	Mainly 50 years
Leasehold improvements	Mainly 10 years or the lease term, whichever lower
Equipment and installations	Mainly 10 to 14 years
Electronic equipment	Mainly 5 to 15 years
Motor vehicles	Mainly 5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at least at the end of each reporting year and adjusted if appropriate.

See Note 10 for further information regarding the Group's property, plant and equipment.

D. Intangible assets

Goodwill is not amortized systematically but is tested for possible impairment once a year and at any time that is an indication of impairment, and is measured at the amount that was recognized on the date of the business combination less accumulated impairment losses.

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss, over the estimated useful lives of the intangible assets from the date they are available for use.

Note 3 - Material Accounting Policies (cont'd)**D. Intangible assets (cont'd)**

The estimated useful lives for the current and comparative periods are as follows:

Software	3-7 years
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Amortization methods and useful lives are reviewed at least at the end of each reporting year and adjusted if appropriate.

E. Investment property

The Group invests in land and buildings held by it either to earn rental income or for capital appreciation or for both. Investment property is initially measured at cost including costs directly attributable to its acquisition. The cost of self-constructed investment property includes the cost of materials and direct labor, including subcontractors, and any other costs directly attributable to bringing the investment property to a working condition for their intended use. In subsequent periods the investment property is measured at fair value with any changes therein recognized in profit or loss within the item "change in fair value of investment property, net". The Group applies the fair value model also to right-of-use assets that meet the definition of investment property.

A liability for the payment of a betterment levy on investment property is recognized when the rights are exercised, as defined in the provisions of the Law. Accordingly, the negative cash flows in respect of the levy are included in the fair value measurement of investment property before recognition of the liability for payment of a betterment levy.

Reclassification from or to investment property

When there is evidence that the use of a property changes from owner-occupied (property, plant and equipment) to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognized in other comprehensive income and presented within equity in a revaluation reserve, unless the gain reverses a previous impairment loss on the specific property, in which case the gain is first recognized in profit or loss up to amount of the impairment that was previously recognized. Any loss created following the remeasurement is recognized directly in profit or loss. When an investment property that was previously classified as a fixed asset is sold, any related amount included in the revaluation reserve, net of tax, is transferred directly to retained earnings. When property is moved from investment property to property, plant and equipment, the fair value at that date becomes the cost of the property, plant or equipment for the purpose of subsequent accounting treatment.

Defining building rights as investment property

In the valuations of investment property the Group examines the value of additional building rights according to the progress made in the process and the extent and nature of the approvals required in order to receive the rights.

In order to decide when the classification of building rights should be changed from property, plant and equipment to investment property, the Group examines when there is sufficient evidence regarding the change in designation of the unutilized building rights on the basis of specific facts and circumstances. In this framework, the Group first examines whether the building rights are sufficiently identifiable so as to be sold or leased out separately from the existing property. If yes, the Group examines when material actions were taken to advance the building rights for use as investment property.

See also Note 11 regarding investment property for more information.

Note 3 - Material Accounting Policies (cont'd)**F. Inventories**

Inventories constitute mainly goods at the Group's stores and warehouses. The cost of inventories is based on the "moving average" method. The value of inventories is measured as the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The net realizable value as above is tested on an ongoing basis taking into consideration the type of product and its age, in accordance with past experience of the Company regarding the life of the product.

G. Impairments**Non-financial assets**

At the end of each reporting period, the Group examines whether there are indications of impairment of non-financial assets. If there are any such indications the Company acts as follows:

Assets for which signs of impairment were identified are tested as part of the cash generating unit they belong to. A cash generating unit is a group of stores operating in the same geographic area, this according to the Group's strategy which examines whether closing a losing store in an area where other branches are located might reduce the profitability of other stores located in that same geographic area.

For cash generating units in respect of which signs of impairment were identified, the Group estimates the recoverable amount of the "cash generating unit", which is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit, for which the estimated future cash flows from the cash generating unit were not adjusted. If the recoverable amount is lower than the carrying amortized cost, an impairment of the cash generating unit is recognized.

Impairment losses are recognized in profit or loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit, pro rata to the assets comprising the unit. After the allocation, the carrying amount of the asset shall be no less than its fair value less costs to sell or zero.

The Company tests impairment of branches it decided to close separately from their respective cash generating units and calculates recoverable amounts for each branch individually.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount, after reversal of the impairment loss, does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one cash-generating unit. Certain corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of testing of the cash-generating units to which the corporate assets are allocated. Other corporate assets that cannot be allocated reasonably and consistently to cash-generating units are tested for impairment as part of the retail segment as a whole.

Note 3 - Material Accounting Policies (cont'd)**G. Impairments (cont'd)****Non-financial assets (cont'd)**

In the framework of testing impairment of a cash-generating unit, the Group takes into consideration only operating cash flows and uses a discount rate that takes into account the price of debt and the price of equity.

When a change occurs in the operating segments or in the organizational structure, the Group examines whether a reallocation of goodwill is required. If reallocation is required, the allocation is done according to the relative value approach.

H. Employee benefits

The Group has a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies and they are classified as defined contribution plans and as defined benefit plans.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account changes in the net defined benefit liability (asset) during the period. The discount rate is the yield on NIS-denominated high-quality corporate bonds that have a maturity date approximating the terms of the Group's obligations at that date. The calculation is performed every year by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss upon amendment of the plan.

Re-measurements of the net defined benefit liability (asset) comprise actuarial gains and losses and the return on plan assets (excluding interest). Re-measurements are recognized immediately directly in retained earnings through other comprehensive income. Interest costs on a defined benefit obligation and interest income on plan assets are presented under financing expenses and financing income, respectively.

I. Share-based payment transactions

The Group measures the fair value of options by means of the Black-Scholes model. With respect to restricted share units, the Group measures the fair value of share units according to the value of the share on the measurement date less dividends expected until the vesting date of each portion.

The grant date fair value of options and/or restricted shares granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options and/or restricted shares.

Note 3 - Material Accounting Policies (cont'd)**J. Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Legal claims

Claims and legal proceedings created in the ordinary course of its business are pending against the Group. A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

K. Revenue**The Group's sources of revenue**

The Group's revenues mainly derive from the sale of goods to private customers and businesses, at physical stores and online, in the Group's various formats. The Group also has revenues from the credit card club operation and revenues from rent payments and management fees.

The Group recognizes revenues from its various operations as described hereunder:

(1) Sale of goods

Revenue from the sale of goods at the Group's stores and online are recognized at the point in time that control over the goods is transferred to the customer, usually at the time of delivering the goods to the customer. The sale consideration is measured at amounts that reflect the consideration the Group is entitled to receive, net of estimated returns and trade discounts granted to the customer at date of the transaction.

(2) Commissions and membership fees

Revenues received from commissions are recognized according to the transactions that used Shufersal credit cards, in accordance with the rates and dates on which the businesses are credited. Revenues from credit spreads are recognized on the date of entitlement to interest, and revenues from membership fees and card fees are recognized on a monthly basis. The Group acts in these transactions as an agent rather than as the primary supplier, and accordingly the revenue recognized is the net amount of the commission.

(3) Customer loyalty program

As part of product sale transactions, the Group grants its customers a loyalty award by way of points which may be redeemed by future purchases of goods in the Company's stores and in other chains. A part of the proceeds from the sale of products entitling the customer to an award is allocated between the award credits and the other components of the sale, on the basis of the relative standalone selling prices. Revenue in respect of the award component in the form of points that can be used in the Group's stores is recognized by the Group based on the anticipated future use of the points at its stores.

Note 3 - Material Accounting Policies (cont'd)**K. Revenue (cont'd)****(4) Vouchers**

The Group promotes its sales by, inter alia, selling vouchers to customers on various platforms. The Group recognizes a liability when the voucher is handed over to the customer and recognizes revenue when the customer uses the voucher. The nature of the revenue is determined according to the way the voucher was used as follows:

- If the voucher was used at Shufersal's stores the Group recognizes revenue (less voucher discounts) and cost of sales.
- If the voucher was used at a third party the Group recognizes revenue from collection of a commission.

(5) Rental income and management fees

Rental income from investment property is recognized in profit or loss in accordance with IFRS 16, on a straight-line basis, over the term of the lease. Revenue from management fees used for the current operation of the property is recognized in profit or loss on a straight-line basis over the term of the lease.

(6) Recognition of revenue on a gross basis or net basis

In transactions with concessionaires, the Group examines whether it is a principal or agent. In transactions in which the Group controls the goods promised in the contract before their transfer to the customer, the revenues are presented on a gross basis. In transactions in which the Group does not control the goods promised in the contract before their transfer to the customer, the revenues are presented on a net basis.

L. Cost of revenues

- (1) With respect to the retail activity, cost of sales includes the cost of purchase of inventories sold, net of supplier rebates, as stated below, and expenses with respect to the loss and amortization of goods, shelf stocking, storage costs and transportation to the final point of sale, as well as additional expenses related to the online operations. The cost of sales also includes depreciation expenses on property, plant and equipment in respect of the logistics centers of the Group and expenses relating to the automated delivery centers.
- (2) The Group identifies the point of sale as the point at which the inventory is in the condition of being ready to be sold to customers. Accordingly, for sales conducted at physical stores the point of sale is the shelf at the store, whereas in online sales from the stores the Company incurs also picking and delivery costs, which are costs directly related to satisfaction of the Group's performance obligations to its customers. In online sales conducted from the automated delivery centers, the delivery center is the point of sale and like for online sales conducted from the physical stores, the Company incurs also picking and delivery costs.
- (3) Supplier rebates are recorded as a deduction from the cost of purchases. Accordingly the part of rebates in respect of goods remaining in the closing inventory is attributed to the inventory and only the other part of rebates reduces the cost of sales. Some of the said rebates comprise fixed rate rebates that are not dependent on the volume of purchases (the rebate is computed as a fixed percentage of turnover of purchases from the supplier) and some are variable rate rebates, which are recognized in the financial statements relatively to the purchases entitling the Company to the rebate.

Note 3 - Material Accounting Policies (cont'd)**L. Cost of revenues (cont'd)****(3) (cont'd)**

Further to the Promotion of Competition in the Foods Sector Law – 2014 (“the Food Law”) coming into effect, as from 2015, with respect to products the Food Law applies to, supplier rebates are given as part of the purchase price per unit of the product.

(4) Costs applying to the operation and management of commercial centers held by the Group as part of investment property, are recognized in profit or loss as part of cost of revenues.**M. Classification of interest and dividends in the statement of cash flows**

Interest received and dividends received are presented in the statements of cash flows as part of cash flows from investing activities. Interest and dividends paid are presented as part of cash flows from financing activities.

N. Income tax expenses

Taxes on income are comprised of current and deferred tax. Current taxes and deferred taxes are recognized in profit or loss. If the tax relates to items that are recognized directly in equity or in other comprehensive income, the tax is recognized directly in equity or in other comprehensive income, respectively.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and an intention to settle current tax liabilities and assets on a net basis or the tax assets and liabilities are realized simultaneously.

Deferred taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Group reexamines the deferred tax assets at every date of reporting its financial position and if it is not probable that the related tax benefits will be realized they are reduced. Deferred tax assets that were not recognized are reevaluated at each reporting date and recognized if it has become probable that future taxable profits will be available against which they can be utilized.

O. Leases

The Group mainly leases land and building that serve as branches and warehouses in its business operation and as investment property.

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts that are a lease or that contain a lease, the Group elected to account for all the lease components separately from the non-lease components.

The Group applies the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing a right-of-use asset and/or a lease liability in the statement of financial position.

Note 3 - Material Accounting Policies (cont'd)**O. Leases (cont'd)**

In the Group's lease arrangements, the interest rate implicit in the lease is not readily determinable, and therefore the incremental borrowing rate of the Company is used.

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively. In most of the branches' lease agreements in which the Group has an extension option, the Group assumes that it is reasonably certain that the extension option will be exercised and accordingly it includes it in the lease period, after exercising judgement regarding the facts and circumstances, past experience and the types of leased assets.

The Group has lease payments that depend on the known Consumer Price Index (hereinafter – "CPI"). These payments are initially measured using the CPI existing at the commencement of the lease and are included in the measurement of the lease liability.

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. Depreciation is calculated on a straight-line basis and recognized over the useful life or contractual lease period, whichever earlier.

Right-of-use assets that meet the definition of investment property are measured according to the fair value model and presented in the statement of financial position within the item of investment property.

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Group re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset, or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

Lease modifications are made by the Group mainly in the lease transactions of branches. When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Group recognizes a decrease in the carrying amount of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognizes a profit or loss that correspond to the partial or full cancellation of the lease.

For other lease modifications, the Group re-measures the lease liability against the right-of-use asset.

The Group subleases part of the lands and buildings that are no longer used in its business operation, usually at the same terms as those of the original lease.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 3 - Material Accounting Policies (cont'd)

O. Leases (cont'd)

In leases where the Group subleases the underlying asset, the Group examines whether the sublease is a finance lease or operating lease with respect to the right-of-use received in the head lease. As regards branches, when the Group decides to leave a branch and subleases it until the nearest exit date, this sublease is classified as a finance lease.

Note 4 - Short-Term Deposits

	Interest rate at December 31 2024	December 31 2024	December 31 2023
	%	NIS millions	NIS millions
Unlinked deposits	4-4.9	<u>1,038</u>	<u>459</u>

Note 5 - Investment in Investees

A. Investment in associate company:

1. General

As at December 31, 2023, the Group held 49.9% of the share capital of Paybox Ltd. (hereinafter - "the associate company" or "Paybox").

On January 19, 2021, the Company entered into a collaboration agreement with Israel Discount Bank Ltd. (hereinafter – Discount Bank) for the creation of a digital wallet for customers of all banks (hereinafter – "the agreement") that is based on the PayBox payment platform of Discount Bank. The transaction was completed on June 30, 2021 and on July 1, 2021 the joint operation began operating in the framework of a special purpose company owned and controlled by Discount Bank (50.1%) and the Company (49.9%). According to the agreement, Discount Bank transferred to the special purpose company the assets of Paybox in its format before the transaction and on the other hand the Company transferred to the special purpose company an exclusive digital accessibility right to its customer club, while in the opinion of the Company and Discount Bank the value of the assets each party transferred to the special purpose company, as aforesaid, is estimated to be NIS 107 million. The investment was accounted for on the Company's books on the equity basis and upon concluding the transaction was recorded against deferred income for recognition as revenue over a period of 10 years from the date of the transaction.

On February 26, 2024, Paybox Ltd. 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.

On June 16, 2024, the Company and Discount Bank entered into a sale agreement, by which the bank will acquire all the Company's holdings and rights in Paybox, including the capital notes it had been issued, 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 derecognized the investment including the capital notes and balance of deferred income relating to the agreement, and recognized a pre-tax gain in the amount of NIS 44 million, which was classified within other income (expenses), net.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 5 - Investment in Investees (cont'd)

A. Investment in associate company: (cont'd)

2. Composition of investment in associate company

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Original cost	-	107
Investment in capital notes (1)	-	39
Benefit component in loan and capital notes	-	6
Share in accrued losses	-	(108)
Investment in associate company	-	44

B. Investment in capital notes of associate company

- On July 4, 2021, January 1, 2022 and July 1, 2022 Paybox Ltd. issued the Company capital notes in the amount of NIS 23 million, NIS 22 million and NIS 21 million, respectively. The fair value of the capital notes as at the date of signing the agreements is NIS 21 million, NIS 20 million and NIS 19 million, respectively. The difference between the value of the capital notes as aforesaid and their par value in the amount of NIS 2 million, for each one of the capital notes, was recognized in the balance of the investment in the associate as a shareholders' benefit. In June 2024 the aforesaid capital notes were realized in the framework of the sale of the Company's holdings in Paybox, as described in paragraph A.1 of this note.
- On January 13, 2023 and on July 23, 2023 Paybox Ltd. issued the Company capital notes in the amount of NIS 21 million and NIS 18 million, respectively. The capital notes do not bear interest, are not linked and will be repaid after at least five years have elapsed since their date of issuance and at the sole discretion of Paybox. Accordingly, the capital notes were included in the balance of the investment in the associate company. In June 2024 the aforesaid capital notes were realized in the framework of the sale of the Company's holdings in Paybox, as described in paragraph A.1 of this note.

C. Other investments in investee companies

- On October 27, 2020 the Company entered into an agreement to acquire control in an operation for the sale and distribution of food and cleaning products to the institutional market. On February 1, 2021 (hereinafter – "the acquisition date"), the conditions precedent were fulfilled, the transaction was completed and control over the operation was transferred to Shufersal Amiga Ltd., a subsidiary owned (75%) by the Company. In addition, the acquisition agreement included put and call options on the balance of the shares (25%) of Shufersal Amiga Ltd. The consideration for acquisition of the operation (100%) amounted to NIS 24 million according to the holding rate (the Company's share is about NIS 18 million). The put option was exercisable beginning from one year after the date of signing the agreement to acquire the operation whereas the call option was exercisable beginning from 3 years after the date of signing the agreement. The value of the put option was estimated by the Company to be NIS 4 million as at the date of the transaction. On January 1, 2023 the Company completed the acquisition of the balance of the shares (25%) of Shufersal Amiga Ltd., for consideration of NIS 13 million, such that from that date on Shufersal Amiga Ltd. became a wholly owned subsidiary of the Company and the put and call options on the shares expired. An amount of NIS 8 million was paid in 2023, and the balance of NIS 5 million was paid in 2024.

Note 5 - Investment in Investees (cont'd)**C. Other investments in investee companies (cont'd)**

2. On May 3, 2022 the Company entered into an agreement with all the shareholders of the "Dan Deal" group (hereinafter – “the sellers”) to acquire all their shares in nine companies that operate ten Dan-Deal branches in Israel (hereinafter – “the acquired shares”) and to acquire a wholesale operation that includes importing and selling products of Dan-As Ltd. (hereinafter – “Dan-As”), which is also owned by the sellers, to Dan-Deal branches and other third parties (hereinafter – “the acquired operation”), by means of Shufersal Stock Ltd. (hereinafter – “Shufersal Stock”), a wholly owned subsidiary that was incorporated for the purpose of the aforesaid acquisition. On June 22, 2022 the Group received the Competition Commissioner's approval to the transaction and on August 2, 2022 the transaction was completed.

The overall consideration for the acquired shares and acquired operation depends on performance and is payable on two occasions. Initial consideration of NIS 106 million which reflects 64% of the value of the companies and the Dan-As operation in 2021 with adjustments for financial debt, working capital, other adjustments as agreed between the parties. Furthermore, the Company provided an amount of NIS 4 million that was used to repay shareholders' loans before the sale. Furthermore, contingent consideration will be paid during 2027 and will be calculated as 36% of the amount obtained from a multiple of 8 on the average EBITDA of Shufersal Stock in the years 2025-2026 with adjustments for debt and working capital as they are at the end of 2026 and other adjustments as agreed by the parties. Insofar as the total amount of the consideration is higher than NIS 350 million, the Company will be entitled to pay the difference between the said NIS 350 million and the consideration, all or part, by means of its shares. The full amount of the first consideration was transferred to the sellers in 2022. In the opinion of the Group, which is based on its external advisers, the balance of the contingent consideration was estimated at the acquisition date at NIS 147 million and its fair value at that date was estimated at NIS 80 million. As at December 31, 2024 the estimated balance of the liability in respect of the contingent consideration is NIS 42 million (NIS 95 million as at December 31, 2023) based on a valuation that was performed by an external independent valuer. Income in the amount of NIS 53 million from adjusting the fair value of the liability in 2024 was included in the financing income. The principal parameter that was used in the valuation is the average forecasted EBITDA of Shufersal Stock for 2025-2026, which was estimated to be NIS 16 million.

On November 2, 2022 the Dan-Deal Group companies decided to carry out a statutory merger with and into Shufersal Stock Ltd. On February 19, 2023 the merger was completed. Upon registration of the merger at the Registrar of Companies, the merger of the Dan-Deal Group companies with and into Shufersal Stock was completed. Upon completion of the merger, the Dan-Deal Group companies were dissolved without liquidation pursuant to the provisions of chapter 1 to part VIII of the Companies Law – 1999, and all their assets, rights and debts were transferred to Shufersal Stock. The aforesaid has no effect on the Company's consolidated financial statements.

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. It is noted that the Company denies all the aforesaid allegations.

Note 5 - Investment in Investees (cont'd)**C. Other investments in investee companies (cont'd)****2. (cont'd)**

The aggregate cash flows derived for the Group on the date of the transaction as a result of the acquisition:

	<u>NIS millions</u>
Cash and cash equivalents paid	(106)
Cash and cash equivalents of the subsidiary	8
	<u>(98)</u>

3. On July 6, 2022 a wholly owned subsidiary of the Group, entered into an agreement with the Menorah Group, by which the subsidiary will acquire 21.73% of the holdings of the Menorah Group in Lev Hamifratz Ltd. ("Lev Hamifratz") (including shareholders' loans the Menorah Group had granted Lev Hamifratz and a capital note that was issued to Menorah by Lev Hamifratz), so that after the acquisition the Group held about 58.73% of the issued share capital and voting power of Lev Hamifratz. The consideration for the acquisition amounts to NIS 60 million and was paid in cash (of which NIS 16 million is attributed to the shareholders' loan). On October 2, 2022 the transaction was completed. As from the date of completing the transaction Lev Hamifratz is presented as a consolidated company in the financial statements of the Group. As a result of the aforesaid, in its financial statements as at December 31, 2022 the Group derecognized the investment, which until then had been accounted for on the equity basis, and recognized a gain from rise to control in the amount of NIS 5 million, which was recorded as other income.

Settlement of pre-existing relationship with the acquiree

As at the acquisition date, there was a shareholders' loan between the Group and the acquired company ("loan to associate company"). From the Group's point of view the loan was unfavorable by an amount of NIS 5 million compared to market prices and its fair value as at the acquisition date was NIS 43 million. As a result of the aforesaid, the Group recognized in its financial statements as at December 31, 2022 a loss from settlement of pre-existing relationship in the amount of NIS 5 million, which was recorded as other expenses.

The aggregate cash flows derived for the Group on the date of the transaction as a result of the acquisition:

	<u>NIS millions</u>
Cash and cash equivalents paid	(60)
Cash and cash equivalents of the subsidiary	*_
	<u>(60)</u>

4. A transaction to acquire 100% of the shares of Yossi Israeli Distribution Ltd., which engages in wholesale food to the institutional market in Israel mainly in the north of the country ("the Distributor"), was completed on January 1, 2023. The acquisition was executed through Shufersal Amiga Ltd., a wholly owned subsidiary of the Company ("Amiga"). The transaction consideration amounted to NIS 17 million (after working capital adjustments), of which NIS 12 million was paid to the previous shareholders of the Distributor, NIS 4 million was transferred directly to the Distributor and NIS 1 million was offset from the current balance of the Distributor and Amiga.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 5 - Investment in Investees (cont'd)

C. Other investments in investee companies (cont'd)

4. (cont'd)

On September 15, 2024 the Distributor decided to merge with and into Amiga. The merger was completed on December 31, 2024. Upon registration of the merger at the Registrar of Companies, the merger of the Distributor with and into Amiga was completed. Upon completing the merger, the Distributor was dissolved without liquidation, pursuant to the provisions of the first chapter of part eight of the Companies Law – 1999, and all its assets, rights and obligations were transferred to Amiga. The aforesaid has no effect on the Company's consolidated financial statements.

Identifiable acquired assets and liabilities on the date of the acquisition:

	Fair value NIS millions
Cash and cash equivalents	4
Trade receivables	13
Other receivables	3
Inventory	4
Property, plant and equipment	1
Intangible assets	7
Employee benefits, net	*-
Trade and other payables	(21)
Payables and credit balances	(1)
Other liabilities	*-
Deferred tax liabilities	(2)
	<u>8</u>

The aggregate cash flows derived for the Group on the date of the transaction as a result of the acquisition:

	NIS millions
Cash and cash equivalents paid	(16)
Cash and cash equivalents that were transferred directly to the subsidiary	4
Cash and cash equivalents of the subsidiary	4
	<u>(8)</u>

Goodwill

Goodwill was recognized as a result of the acquisition as follows:

	NIS millions
Consideration	17
Less: Cash that was transferred directly to the subsidiary	(4)
Less: fair value of identifiable net assets	(8)
Goodwill	<u>5</u>

* Indicates an amount less than NIS 1 million.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 6 - Trade Receivables

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Open debts	392	430
Checks and notes receivable	47	63
	439	493
Less – provision for expected credit losses	(42)	(43)
	397	450
Credit card companies	578	547
	975	997

See Note 32 on interested and related parties for information on trade receivables due from related and interested parties.

See Note 23 on risk management and financial instruments for information on risk management and recognition of expected credit losses.

Note 7 - Other Receivables

A. Other current receivables

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Advances to suppliers	17	45
Prepaid expenses	10	23
Receivables from leases (1)	14	14
Insurance assets	14	14
Accrued income	23	48
Advance payment to institutions	30	13
Current taxes	11	40
Derivative financial instruments	10	6
Other receivables	9	11
	138	214

B. Other non-current receivables

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Receivables from leases (1)	64	53
Derivative financial instruments	42	46
Other receivables (2)	2	18
	108	117

Notes to the Consolidated Financial Statements as at December 31, 2024**Note 7 - Other Receivables (cont'd)**

- (1) See Note 13 regarding leases.
- (2) The balance as at December 31, 2023 mainly included the balance of an accrued performance bonus from ICC activity. See Note 29.A regarding the agreement with ICC for further details.

See Note 32 on interested and related parties for information on other receivables due from related and interested parties.

Note 8 - Inventory

	December 31 2024	December 31 2023
	<u>NIS millions</u>	<u>NIS millions</u>
Inventory of finished products	915	*1,004
Less provision for impairment of inventory	(42)	(45)
Total inventory of finished products	873	959
Raw materials and work in progress and packaging	5	4
	<u>878</u>	<u>963</u>

(*) Reclassified – see Note 10.

Note 9 - Other Investments

An investment in non-marketable shares of Shopic Technologies Ltd. The investment is accounted for as a financial asset measured at fair value through profit or loss. For additional information, see Note 23.B.5.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 10 - Property, Plant and Equipment

	Buildings and land	Leasehold improvements	Installations and equipment**	Motor vehicles	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cost					
Balance as at January 1, 2023	1,798	2,887	*4,530	103	9,138
Additions	61	201	233	27	522
Business combinations	-	-	1	-	1
Revaluation of asset to capital reserve in respect of classification from property, plant and equipment to investment property	16	-	-	-	16
Classification from property, plant and equipment to investment property	(48)	-	-	-	(48)
Disposals	-	(8)	(19)	(25)	(52)
Balance as at December 31, 2023	1,827	3,080	*4,565	105	9,577
Additions	27	99	116	5	247
Revaluation of asset to capital reserve in respect of classification from property, plant and equipment to investment property	(2)	-	-	-	(2)
Classification from property, plant and equipment to investment property	(16)	-	-	-	(16)
Disposals	(2)	(43)	(95)	(6)	(146)
Balance as at December 31, 2024	1,834	3,136	4,586	104	9,660
Depreciation and amortization					
Balance as at January 1, 2023	641	1,769	3,100	69	5,579
Depreciation and amortization	35	174	205	12	426
Reversal of impairment loss	-	(15)	(10)	-	(25)
Classification from property, plant and equipment to investment property	(11)	-	-	-	(11)
Disposals	-	(5)	(14)	(25)	(44)
Balance as at December 31, 2023	665	1,923	3,281	56	5,925
Depreciation and amortization	35	194	228	14	471
Reversal of impairment loss	-	(2)	(2)	-	(4)
Classification from property, plant and equipment to investment property	(2)	-	-	-	(2)
Disposals	(2)	(33)	(88)	(5)	(128)
Balance as at December 31, 2024	696	2,082	3,419	65	6,262

* Reclassification of base inventory that was classified from inventory to property, plant and equipment.

** Includes base inventory in the amount of NIS 45 million as at December 31, 2024 (NIS 29 million as at December 31, 2023 and January 1, 2023).

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 10 - Property, Plant and Equipment (cont'd)

	Buildings and land	Leasehold improvements	Equipment and installations	Motor vehicles	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Carrying amount					
As at December 31, 2024	1,138	1,054	1,167	39	3,398
As at December 31, 2023	1,162	1,157	*1,284	49	3,652
As at January 1, 2023	1,157	1,118	*1,250	34	3,559

Acquisition of property, plant and equipment on credit

The balance of liabilities payable in respect of acquisition of property, plant and equipment, which comprise leasehold improvements and equipment, is approx. NIS 26 million and approx. NIS 66 million as of December 31, 2024 and December 31, 2023, respectively.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 11 - Investment Property

Presented hereunder is the movement in investment property (measured at level 3 of the fair value hierarchy):

	Land and buildings		Investment property under construction		Total	
	2024	2023	2024	2023	2024	2023
	NIS millions					
Balance as at January 1	<u>1,246</u>	<u>1,102</u>	<u>269</u>	<u>278</u>	<u>1,515</u>	<u>1,380</u>
Additions and changes in fair value during the year:						
Acquisitions and investments in investment property and under construction	9	34	*-	1	9	35
Change in fair value of investment property, net	33	67	(32)	(10)	1	57
Classification from property, plant and equipment to investment property	14	37	-	-	14	37
Classification from investment property under construction to land and buildings	189	-	(189)	-	-	-
Classification from right-of-use asset to investment property	-	5	-	-	-	5
Change in straight line rent receivable	1	1	-	-	1	1
Total	<u>246</u>	<u>144</u>	<u>(221)</u>	<u>(9)</u>	<u>25</u>	<u>135</u>
Balance as at December 31	<u>1,492</u>	<u>1,246</u>	<u>48</u>	<u>269</u>	<u>1,540</u>	<u>1,515</u>

* Indicates an amount less than NIS 1 million.

Note 11 - Investment Property (cont'd)**A. Change in fair value of investment property, net****Measurement of fair value –**

The Group's investment property is measured at level 3 of the fair value hierarchy. The significant inputs that were used to measure fair value are not observable in the market. Presented hereunder are the main measurement techniques that were used by the Group:

1. Discounted income approach - The fair value is estimated using a discounted income technique: the valuation model is based on net annual cash flows, on the basis of the existing and forecasted income from the property, discounted at a rate reflecting the specific risks inherent in them and as customary in comparable properties. When actual rent agreements include rent payments that are different from market rent, adjustments are made to reflect the actual rent payments in the period of the contract. The valuations take into account the type of tenants and the financial strength of the tenants that actually occupy the leasehold or are responsible for fulfilling the rental obligations or may occupy the leasehold when available property is rented out; distribution of the responsibility for the property's maintenance and insurance between the Group and the tenant; the physical condition and remaining economic life of the property, in those locations that these parameters are relevant.

Significant unobservable inputs –

Market rentals per meter of between NIS 26 and NIS 761 (mainly between NIS 60 and NIS 110 per meter) (2023: mainly between NIS 60 and NIS 110 per meter) .

Cash flow discount rate of between 6% and 8.5% (mainly between 6.75% and 7.25%) (2023: mainly 6.75%-7.25%).

2. "Extraction method" – The valuation is based on extracting the estimated fair value of the investment property after completion of its construction, based on the value of built property or based on net cash flows expected to be received from the property discounted at an appropriate discount rate, less the present value of the estimated construction costs expected for its completion and less a reasonable entrepreneurial profit when relevant, taking into account a discount rate adjusted for the property's relevant risks and characteristics.

Significant unobservable inputs –

Entrepreneurial profit margin of about 15% (2023: 15%).

Cash flow discount rate of between 7.5% and 8% (2023: between 6.75% and 7%).

Market value of built square meter of between NIS 16,000 and NIS 21,000 per square meter (2023: between NIS 17,100 and NIS 19,000 per square meter).

Market value of built office areas of between NIS 9,600 and NIS 12,000 per square meter (2023: between NIS 10,700 and NIS 11,100 per square meter).

Note 11 - Investment Property (cont'd)**A. Change in fair value of investment property, net (cont'd)****Valuation processes used by the Group –**

The fair value of the investment property is determined regularly by external, independent valuers having appropriate recognized professional qualifications and experience in the location and category of the property being valued. External valuations are performed at different times for the various properties in the investment property portfolio. In the rest of the reporting periods the Group performs internal valuations using a similar methodology, in order to confirm that there was no material change in the value of the property. In the case of changes occurring in parameters that affect the value of the property, the estimated value is examined and an external valuer performs a valuation.

The principal unobservable inputs are as follows:

- a. Entrepreneurial profit margin – The accepted margin for commerce and offices in new or long-standing properties. Guidelines for entrepreneurial profit margins were determined based on guidelines of the Government Appraiser.
- b. The rate of return on investment property – based on data of the Government Appraiser and the rates of return of rental properties and a comparison to the rates of return obtained in similar transactions, while adjusting for the elements of uncertainty risk and quality of the tenants, such as the anchors, national chains, etc.
- c. Market rent – based on the rent actually paid for commercial and office rental properties and on information regarding rentals in the same area.
- d. Costs of construction per square meter are based on the accepted costs in the industry for similar buildings taking into account budgets determined by the Company's engineer in each project.

B. Amounts that were recognized in the statement of income

	Year ended December 31		
	2024	2023	2022
	NIS millions		
Rental income from investment property	116	105	71
Direct expenses in respect of investment property that generated rental income during the year	(33)	(34)	(23)
Increase in fair value of investment property, net	1	57	69
	84	128	117

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 11 - Investment Property (cont'd)

C. Details on land rights considered investment property by the Group

	End of lease period*	Fair value as at December 31 2024	2023
	Years	NIS millions	NIS millions
Freehold rights		927	983
Leasehold	2025-2065	613	532
		1,540	1,515

* Including the option periods.

Some of the freehold and leasehold properties in Israel have not yet been registered under the name of the Group companies at the Land Registry Office mainly due to registration procedures or technical problems.

D. Details on lease agreements

The future minimum lease payments receivable under lease agreements over the period of the agreement, without an option to extend the lease, are as follows:

	December 31, 2024		
	Leasehold assets	Freehold assets	Total
	NIS millions	NIS millions	NIS millions
Less than one year	33	77	110
Between one and four years	30	93	123
Five years and more	11	80	91
	74	250	324

E. Details on agreements

- (1) On April 26, 2018 a subsidiary entered into a building services land combination venture and a collaboration and joint venture agreement with Gav-Yam Bayside Land Corp. Ltd. (hereinafter – "Gav-Yam"). According to the agreement, the subsidiary shall sell to Gav-Yam 69.5% of the ownership over 8,800 square meters of land in Ra'anana, in exchange for receiving building services of Gav-Yam for constructing the company's share of the project. When the project is completed, the subsidiary and Gav-Yam will have undivided co-ownership over the project at the rate of 30.5% for the subsidiary and 69.5% for Gav-Yam. On June 25, 2020 a detailed urban building plan for the project described in the aforesaid periodic report was awarded legal effect, and accordingly all the preconditions of the agreement have been fulfilled and it came into effect. In April 2024 the project was completed and a certificate of occupancy (form 4) was received. As at December 31, 2024 the Company has marketed about 24 thousand sq.m. of above-ground areas in the project (out of a total of 40 thousand sq.m. above-ground areas).
- (2) In 2018 a wholly owned subsidiary entered into a joint agreement with Amot Investments Ltd. to construct an office building of 6,000 square meters (the Company's share is 25%). The transaction is accounted for in the financial statements by the proportionate consolidation method.

Note 11 - Investment Property (cont'd)**E. Details on agreements (cont'd)**

- (3) Further to the Company, by means of a company it wholly owns (indirectly), entering into a combination agreement and joint venture agreement on July 5, 2022 with Ephraim Rogovin Ltd. (hereinafter – the entrepreneur) with respect to property owned by the Company that is located on the corner of the streets Derech Hasharon – Netiv Ha'avot at the Kfar Saba junction, at a combination ratio of 67% for the entrepreneur and 33% for the Company in a commercial and employment project that was expected to be built according to the rights in the property, on December 31, 2024 the parties agreed to cancel the agreements pursuant to their terms. As a result of cancelling the agreements as aforesaid the Company recognized an impairment loss in the amount of NIS 38 million (before tax) in the reporting period that was included in the increase in fair value of investment property, net.
- (4) Further to the Company entering into an agreement on October 19, 2023 with a partner (who is an interested party) in property in the Romema neighborhood in Jerusalem (the Company's share of the property – 35%), by which the partner will be able to exercise the tag along right it presently has according to the co-ownership agreement and sell to the Company its entire interest in the property, by providing a notice between September 1, 2024 and October 12, 2024, on October 10, 2024 the partner advised that it will not exercise the aforesaid tag along right.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 12 - Intangible Assets

	Goodwill	Computer programs	Customer acquisition and other	Total
	NIS millions			
Cost				
Balance as at January 1, 2023	1,287	715	240	2,242
Business combinations	5	-	7	12
Additions (*)	13	83	8	104
Balance as at December 31, 2023	1,305	798	255	2,358
Additions (*)	-	69	25	94
Balance as at December 31, 2024	1,305	867	280	2,452
Accumulated amortization				
Balance as at January 1, 2023	4	546	157	707
Amortization	-	86	20	106
Balance as at December 31, 2023	4	632	177	813
Amortization	-	76	17	93
Balance as at December 31, 2024	4	708	194	906
Carrying amount				
As at December 31, 2024	1,301	159	86	1,546
As at December 31, 2023	1,301	166	78	1,545
As at January 1, 2023	1,283	169	83	1,535

(*) The balance of the accrued liability in respect of purchases of intangible assets is NIS 9 million and NIS 17 million as at December 31, 2024 and 2023, respectively.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 12 - Intangible Assets (cont'd)

Goodwill

The following is summary of goodwill information of business segments:

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Retail segment	1,295	1,295
Real estate segment	6	6
	1,301	1,301

The Company tests goodwill balances for impairment at the end of each calendar year, insofar as there were no indications of impairment during the year. As at December 31, 2024 the Company relied on the recoverable amount of the retail segment that was assessed as at December 31, 2023 with the assistance of an external, independent valuer, as it is allowed to do following it meeting all the conditions set forth in paragraph 99 of IAS 36 regarding impairment of assets, as follows:

- The assets and liabilities making up the units have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- Based on an analysis of macroeconomic, security and political events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote, this according to the actual results of each one of the operations.

In view of it meeting all the aforesaid conditions, the Company used the most recent recoverable amount calculation that was performed as at December 31, 2023 and did not perform an additional valuation as at the date of the statement of financial position. It is noted that as at the date of the statement of financial position there are no indications of goodwill impairment of the retail segment.

The Company also tested the recoverable amount of the Be format separately.

The recoverable amount of the Be format was based on the value in use of the format according to the revenues approach, using the discounted cash flow method. The principal parameters that were used in the valuation are a nominal discount rate of 12.25% (after tax) and a growth rate for the representative year of 2.5%. According to the results of examination the value in use of the Be format is higher than its value in the Company's financial statements and therefore there is no need to record impairment of the aforesaid goodwill.

The value measurements described above were included within level 3 of the fair value hierarchy.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 13 - Leases

The Group's lease agreements mainly relate to land and buildings it uses in its business operations. In addition, the Group subleases some of the land and buildings that do not serve its business operations, usually at the same terms as the original lease.

A. Receivables from leases

	For the year ended December 31	
	2024	2023
	NIS millions	NIS millions
Balance as at January 1	67	57
Receipts of principal and interest	(16)	(15)
Interest income	4	3
Additions*	21	20
Other**	2	2
Balance as at December 31	78	67

* Due mainly to new agreements and modifications that were made in lease agreements, such as extension of the lease term.

** Due mainly to adjustments to the Consumer Price Index.

Forecasted cash flows expected to derive from receivables from leases

	December 31	
	2024	2023
	NIS millions	NIS millions
Up to one year	14	14
One to five years	45	37
More than five years	34	28
Total contractual cash flow	93	79

B. Right-of-use assets

	For the year ended December 31	
	2024	2023
	NIS millions	NIS millions
Balance as at January 1	4,482	4,411
Depreciation	(472)	(450)
Additions, net*	10	346
Reversal of impairment (impairment) of right-of-use assets	3	33
Classification to investment property	-	(5)
Classification from property, plant and equipment	-	7
Other**	148	140
Balance as at December 31	4,171	4,482

* Due mainly to new agreements and modifications that were made in lease agreements, such as extension of the lease term.

** Due mainly to adjustments to the Consumer Price Index.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 13 - Leases (cont'd)

C. Lease liabilities

	For the year ended December 31	
	2024	2023
	NIS millions	NIS millions
Balance as at January 1	4,662	4,588
Repayment of principal and interest	(583)	(568)
Financing expenses	148	139
Additions, net*	5	366
Reduction in respect of streamlining plan	-	(2)
Other**	150	139
Balance as at December 31	4,382	4,662
Current maturities of lease liabilities	437	434
Long-term lease liabilities	3,945	4,228
Total lease liabilities	4,382	4,662

* Due mainly to new agreements and modifications that were made in lease agreements, such as extension of the lease term.

** Due mainly to adjustments to the Consumer Price Index.

Forecasted cash flows expected to derive from lease liabilities (undiscounted amounts)

	December 31	
	2024	2023
	NIS millions	NIS millions
Up to one year	570	557
One to five years	2,084	2,096
More than five years	2,576	2,908
Total contractual cash flow	5,230	5,561

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 13 - Leases (cont'd)

D. Additional information on leases**1. Amounts recognized in profit or loss**

	For the year ended December 31	
	2024	2023
	NIS millions	NIS millions
Depreciation on right-of-use assets	(472)	(450)
Variable lease payments not included in the measurement of lease liabilities*	(91)	(69)
Interest expenses on leases, net	(144)	(136)
Gain from termination of lease contracts and from recognition of receivables from leases	26	-
Adjustment (reduction) in respect of streamlining plan	3	35
Total expenses	(678)	(620)

* Mainly expenses based on turnover and management fees that are recognized in the framework of selling and marketing expenses.

2. Amounts recognized in the statement of cash flows

	For the year ended December 31	
	2024	2023
	NIS millions	NIS millions
Cash inflow from leases	16	15
Cash outflow from leases	583	568

Notes to the Consolidated Financial Statements as at December 31, 2024**Note 14 - Other Payables**

	December 31	
	2024	2023
	NIS millions	NIS millions
Liability in respect of vouchers	732	681
Employees and other salary related liabilities	402	365
Institutions	38	41
Accrued expenses	88	91
Customer loyalty plan (club points)	2	20
Derivative financial instruments	2	1
Current taxes	42	3
Liability to acquire non-controlling interests (see Note 5.C)	-	5
Deferred income (see Note 5.A.1)	-	11
Prepaid income in respect of real estate transactions	13	12
Prepaid rent revenue	15	13
Other payables	31	27
	1,365	1,270

Note 15 - Trade Payables

The Company's purchases from a major supplier amounted to approx. NIS 972 million in 2024, approx. NIS 955 million in 2023 and approx. NIS 816 million in 2022.

Note 16 - Provisions

	December 31	
	2024	2023
	NIS millions	NIS millions
Customer claims	26	25
Provisions for claims and legal proceedings	35	46
	61	71

Provisions for customer claims, 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 Group's management, 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.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 16 - Provisions (cont'd)

Provisions for customer claims, claims and legal proceedings (cont'd)

A. Description of the Group's contingent liabilities in effect as at December 31, 2024

1. Description of contingent liabilities 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.	50	^{(2),(1)} 803	24
Claims of employees	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.	60	11	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.	38	117	10
Customer claims for damages	Claims for damages that are handled by the insurance companies.	555	35	⁽³⁾ 26
Total		703	966	61

- (1) Including claims against the Company and other defendants in the amount of NIS 448 million in which the amount claimed from the Company is not specified.
- (2) Including claims in the amount of NIS 182 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 13 million within other receivables.

2. Breakdown of the number and amounts of the claims according to the amount of the claim:

Amount of claim	Number of claims	Total amount claimed (NIS millions)
Up to NIS 100 million	*639	*406
From NIS 100 million to NIS 500 million	2	524
Claims that do not specify an amount claimed	22	-
Claims that do not specify the amount claimed from the Company and others	11	-
Claims against the Company and other defendants together in which the amount claimed from the Company is not specified	29	36
Total	703	966

* As at December 31, 2024 there are 555 customer claims for damages totaling NIS 35 million.

Note 16 - Provisions (cont'd)**Provisions for customer claims, claims and legal proceedings (cont'd)****B. Information on material developments in legal proceedings in the reporting period**

1. During the period, sixteen motions to certify claims as class actions have been filed against Group companies, five of which amount to NIS 37 million and the others not indicating the specific amount of the claim or at all. On the other hand, twenty-four motions to certify class actions against Group companies in the total amount of NIS 1,057 million have been rejected and dismissed with the approval of the court.
2. During the period seven motions to certify class actions have been filed against the Company and other defendants, two of which amount to NIS 28 million, as well as another claim against the Company and other defendants that was rejected and in its respect an appeal in the amount of NIS 420 million was filed. The other claims do not indicate the specific amount of the claim or at all. On the other hand, three motions to certify class actions against the Company and other defendants, one in the amount of NIS 2 million and the others not indicating the specific amount of the claim or at all, have been rejected and dismissed with the approval of the court.

The chances of claims in the amount of NIS 30 million cannot be assessed at this early stage. In respect of claims in the amount of NIS 445 million, the Company included in its financial statements an adequate provision to cover the exposure, insofar as required and based on the opinion of its legal counsel.

3. 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.

C. Claims of employees, subcontractors, suppliers, authorities and other general claims

In the ordinary course of business, various claims have been filed against the Group 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 December 31, 2024, the amounts that are claimed from the Company under the said claims total NIS 128 million.

The Company included in its financial statements, based on the opinion of its legal counsel, an adequate provision to cover the exposure.

Note 16 - Provisions (cont'd)**Provisions for customer claims, claims and legal proceedings (cont'd)****D. Information on material claims subsequent to the reporting date**

One motion to certify a consumer claim as a class action in the total amount of NIS 2.5 million was filed against the Company. Furthermore, five claims in the amount of NIS 15 million were filed against the Company by suppliers. The chances of the claims cannot be assessed at this early stage.

Five motions to certify consumer claims as class actions in the total amount of NIS 1.5 million that were filed against the Company and other defendants were rejected and dismissed with the approval of the court at immaterial amounts. Furthermore, a claim of a supplier against the Company in the total amount of NIS 5.5 million was concluded with a compromise.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 17 - Bonds and Credit

This note provides information regarding the contractual terms of the Group's bonds. Further information on the Group's exposure to interest and liquidity risks is included in Note 23.B on financial instruments.

		December 31, 2024		December 31, 2023		
	Stated interest rate on date of issue NIS millions	Effective interest rate on date of issue NIS millions	Par value (*) NIS millions	Carrying amount (**) NIS millions	Par value (*) NIS millions	Carrying amount (**) NIS millions
(1) Terms and composition of the bonds						
CPI-linked bonds listed for trade on the stock exchange:						
Bonds (Series D) October 2013	2.99%	3.12%	148	170	177	197
Bonds (Series F) September 2015	4.30%	4.44%	141	163	176	197
Bonds (Series F) July 2016	4.30%	4.50%	267	310	334	374
Unlinked bonds listed for trade on the stock exchange:						
Bonds (Series E) October 2013	5.09%	5.23%	140	141	168	170
Bonds (Series E) November 2016	5.09%	4.50%	178	183	214	220
Bonds (Series E) January 2018	5.09%	2.12%	198	216	238	262
Bonds (Series G) January 2019	3.52%	3.69%	488	492	511	514
Bonds (Series G) April 2020	3.52%	2.97%	264	272	276	286
			1,824	1,947	2,094	2,220
Less current maturities			287	(***)328	269	(***)309
Long-term bonds			1,537	1,619	1,825	1,911

(*) The par value balance of bonds is in nominal values, unlinked.

(**) **The carrying amount of linked bonds**

The carrying amount of the principal plus interest discounted according to the effective interest rate on the date of issue, and linked to the Consumer Price Index, as at the reporting date.

The carrying amount of unlinked bonds

The carrying amount of the principal plus interest discounted according to the effective interest rate on the date of issue, as at the reporting date.

(***) Includes accrued interest payable in the amount of NIS 21 million (2023: NIS 24 million).

Note 17 - Bonds and Credit (cont'd)

- (2) The Company's Series D, E, F and G bonds (hereinafter together – “the Bonds”) include a mechanism adjusting the interest rate to changes in rating, as well as various financial covenants as described hereunder:

Interest rate adjustment mechanism from change in the rating of Series D, E and F bonds

According to the terms of the Bonds, Series D, E and F, in the event of a change in these Bonds' rating to one notch lower than ilA (or a comparable rating), the annual interest rate (“the base interest”) shall increase by 0.25%. In any event of an additional lowering of the rating the annual interest rate will increase by an additional 0.25% in respect of each notch. In any event, the addition to the interest rate that is due to the lowering of the rating shall not be more than 1% above the base interest; all subject to and as detailed in the terms provided in the trust deeds of the Series D, E and F Bonds.

Interest rate adjustment mechanism from change in the rating of Series G bonds

According to the terms of the Series G bonds, in the event of a change in these Bonds' rating to two notches lower than ilAA (or a comparable rating), the annual interest rate (“the base interest”) shall increase by 0.5%; if the rating will be three notches lower than ilAA, the annual interest rate shall increase by an additional 0.25%, so it will be equal to the base interest rate plus 0.75%; if the rating given to the Bonds will be four or more notches lower than ilAA, the annual interest rate shall increase by an additional 0.25%, so it will be equal to the base interest plus 1%. In any event the incremental interest rate due to all the lowering of the rating shall not be more than 1% above the base interest; all subject to and as detailed in the terms provided in the trust deed of the Series G Bonds.

Cause for immediate repayment in the event of a lowering of the rating

According to the terms of the Series D, E and F bonds, if Bond rating is less than “BBB-” (or a comparable rating) and the rating is not raised within 60 days, this will constitute cause for immediate repayment. According to the terms of the Series G bonds, if the rating for the Bonds is lower than “BBB-” (or a comparable rating), this will be cause for immediate repayment. It is also noted that among the causes for immediate repayment that are included in the Bonds is also the event of another debt of the Company (that is not a debt to holders of any of the Company's series of Bonds) to a bank or any financial institution (including an institutional body) being called for immediate repayment, providing that the total amount called for immediate repayment as aforesaid is higher than NIS 300 million; an additional cause is another outstanding series of Bonds issued by the Company being called for immediate repayment (not by the Company). The trust deeds of the Series D and E Bonds only limit the last cause and state that the amount of the other outstanding series called for immediate repayment must be at least NIS 40 million, all subject to and as detailed in the trust deeds of the Bonds.

Right to early redemption at the Company's initiative

The terms of the Series D, E F and G bonds also grant the Company the right to initiate early redemption all or part of the Bonds at its own initiative, all according to the terms provided in the trust deeds under the terms of which those series of bonds were issued.

Note 17 - Bonds and Credit (cont'd)**(2) (cont'd)**Commitment to comply with financial covenants, commitment to not create a current pledge; cross default

In the framework of the Series D, E, F and G bonds, the Company undertook to comply with financial covenants as follows (it is noted that the definitions of the terms "net debt" and "annual EBITDA" that are quoted hereunder in this note are as they appear in the Series G bonds. The Series D, E and F bonds include definitions with the same meaning but with slightly different words):

1. The ratio between the Company's net (financial) debt (as defined in this context as the balance of the loans (long-term liabilities and current maturities) to banks, other financial institutions and bondholders, after deducting cash and cash equivalents, short-term deposit and marketable securities) and the Company's total balance sheet, based on the reviewed or audited consolidated financial statements, as applicable, as at that report date, shall not exceed 60%.
2. The Company's total equity (including non-controlling interests), based on the reviewed or audited consolidated financial statements, as applicable, as at that report date, shall not fall below NIS 550 million with respect to Series D, E and F, whereas the limit for Series G is NIS 800 million.

The Company shall be considered to be in breach of the aforesaid commitments only if it does not comply with the relevant financial covenants for two consecutive calendar quarters.

As at December 31, 2024, the Company is in compliance with all the aforesaid financial covenants.

According to the terms of Series G bonds, commencing from the Company's financial statements for the second quarter of 2019, in the event of a change in the accounting standards applicable to the Company in comparison with the accounting standards by which the Company's consolidated financial statements for the first quarter of 2019 will be prepared ("standards as at the first quarter of 2019"), and this change has a material effect on the result of the calculation of any of the financial covenants or the dividend distribution limitation (as aforesaid), the Company will examine that covenant according to a pro forma statement of financial position and statement of income, in a summarized format that includes only significant and relevant footnotes, reviewed (but not audited) based on the standards as at the first quarter of 2019, and will publish them together, or as part of, the Company's financial statements. In this context, "material effect" means a change of at least 7.5% between the real result of the relevant criterion according to the updated accounting standard imposed on the Company and the result for the criterion according to the standard as at the first quarter of 2019.

The examination of the effect of the change in the accounting standards applicable to the Company, compared with the standards as at the first quarter of 2019 will be performed by the Company on the date the Company publishes its financial statements, and disclosure will be provided in the Company's directors' report, quarterly or annual (as applicable), in any event of material effect, as noted;

Note 17 - Bonds and Credit (cont'd)**(2) (cont'd)**

It is noted that the Series D, E and F bonds provide different guidance in this matter, according to which insofar as the Company does not comply with any of the said financial covenants or distribution limitations (as aforesaid), and this non-compliance is a result of material changes in accounting principles applicable to the Company and/or a result of new accounting policies or new accounting standards that will be adopted by the Company and/or material regulatory changes related to the format of financial statement presentation, all in comparison with the situation on the signing date of the trust deeds of the bonds, i.e., were it not for those changes, the Company would be in compliance with those terms and limitations, then the said changes will not be taken into account for the purpose of examining the Company's compliance with the financial covenants and limitations on making distributions.

Within the framework of the trust deeds, the Company committed not to create a floating lien on all of its assets in favor of any third party, except under the terms provided in the bonds.

Restrictions on dividend distribution

In the Bonds, the Company undertook to not distribute a dividend to its shareholders and/or to purchase its own shares and/or to make any other distribution per its definition in the Companies Law:

1. Insofar as the result of such a distribution is that the Company's total equity (including non-controlling interests) according to the Company's most recent consolidated financial statements, reviewed or audited, as applicable, as at the distribution date is less than NIS 750 million with respect to Series D, E and F, while for Series G the limit is NIS 1,000 million.
2. Insofar as following such a distribution the ratio between the Company's net (financial) debt (per its definition above), according to the most recent audited or reviewed (as relevant) consolidated financial statements of the Company issued before the date of the distribution, and the Company's annual EBITDA (per its definition hereunder), taking into consideration such a distribution, is higher than 7 with respect to Series D, E and F, while for Series G the limit is 5.

In this context, "annual EBITDA" is defined as the cumulative amount over a period of the last four (4) calendar quarters preceding the distribution date of the Company's operating profit (before other expenses and income), plus depreciation and amortization, calculated according to the data included in the Company's reviewed or audited (as relevant) consolidated financial statements for the last four (4) quarters preceding the date of the distribution.

3. Insofar as on the date the Company's Board of Directors decided on the aforesaid distribution according to the provisions of the law, the Company is in breach of any of its commitments to comply with the financial covenants required from it in the trust deed or any of the causes provided in the trust deed for calling for immediate repayment has occurred (while for Series G it was provided that the period of negotiations toward resolution in the trust deed will not be taken into account). For Series G additional distribution limitations were provided, including that no distribution will be made if on the date of the Company's board of directors' resolution on the distribution, the Company does not comply with any of the material obligations with respect to the Series G bonds.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 17 - Bonds and Credit (cont'd)

- (3) As at the reporting date, the Company has agreements with banking institutions to provide to the Company a guaranteed credit facility. The agreements are for a period ending in December 2025, in a total amount of NIS 400 million. As at December 31, 2024 and the date of issuing the report these credit facilities are not utilized.

Note 18 - Employee Benefits

Post-employment benefits include benefits for retirement bonuses, gifts for retirees and future retiring employees (for the years after their future retirement) and sick leave.

As regards post-employment employee benefits, the Group has defined benefit plans for which it deposits amounts in individual severance pay funds and appropriate insurance policies.

Furthermore the Company has a defined contribution plan in respect of part of its employees who are subject to Section 14 of the Severance Pay Law – 1963.

As regards share-based payments see Note 22 and as regards benefits to key management employees see Note 32.D.

Composition of employee benefits:

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Presented under current liabilities – other payables:		
Liability to employees for paid vacation	67	63
Liability to employees for recreation allowance	25	27
Liability to employees for salary	310	275
	402	365
Presented under non-current liabilities – employee benefits:		
Severance pay	144	153
Retirement bonus	46	43
Gifts to retirees and employees after retirement	55	44
Bonus for non-utilized sick leave	20	19
	265	259

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 18 - Employee Benefits (cont'd)

A. Post-employment benefit plans – defined benefit plans

	December 31 2024 NIS millions	December 31 2023 NIS millions
Composition		
Total present value of obligations (1)	554	541
Less fair value of plan assets (1)	(289)	(282)
Total net liability recognized in respect of defined benefit plan	265	259
<u>Plan assets (insurance policies and central funds) comprise as follows:</u>		
Government bonds	136	133
Corporate bonds	77	75
Equity instruments	34	33
Other	42	41
	289	282

(1) Movement in defined benefit liabilities (assets) and in their components

	Defined benefit obligation		Fair value of plans assets		Total net liability recognized in respect of defined benefit plan	
	2024	2023	2024	2023	2024	2023
			NIS millions			
Balance as at January 1	541	545	(282)	(289)	259	256
<u>Expense (income) recognized in profit or loss:</u>						
Current service cost	34	33	-	-	34	33
Past service cost	9	-	-	-	9	-
Interest costs (income)	31	28	(17)	(15)	14	13
<u>Recognized in other comprehensive income:</u>						
Actuarial gains from changes in financial assumptions	*-	(8)	-	-	-	(8)
Actuarial gains from changes in demographic assumptions	-	(2)	-	-	-	(2)
Other actuarial losses	14	14	-	-	14	14
Actual return less interest income	-	-	(13)	1	(13)	1
<u>Other movements:</u>						
Benefits paid	(75)	(69)	43	39	(32)	(30)
Contributions, net	-	-	(20)	(18)	(20)	(18)
Balance as at December 31	554	541	(289)	(282)	265	259

*Indicates an amount lower than NIS 1 million.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 18 - Employee Benefits (cont'd)

A. Post-employment benefit plans – defined benefit plans (cont'd)

(2) Actual return

Actual return on plans assets was 10% in 2024 (2023: 5% and in 2022: -3%).

(3) Actuarial assumptions and sensitivity analysis

Principal actuarial assumptions (expressed as weighted averages):

	2024	2023	2022
	%	%	%
Real discount rate as at December 31	2.9-3.0	2.7-3.3	2.2-2.9
Nominal discount rate as at December 31	5.3-6.0	5.1-6.2	5.1-5.3
Real future salary growth rate	0-5.0	0-5.0	0-3.0

The calculations are based on demographic assumptions as follows:

- 1) The assumptions regarding future mortality rates are based on published statistics and mortality tables.
- 2) Employee turnover rates are based on an analysis of historical data.

Reasonably possible changes at the reporting date to one of the actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31			
	1% increase		1% decrease	
	2024	2023	2024	2023
	NIS millions	NIS millions	NIS millions	NIS millions
Future salary growth rate	43	43	(40)	(40)
Discount rate	(50)	(47)	55	52

A change in 10% in the turnover rate would not have a material effect on the defined benefit obligation.

(4) Effect of the plan on the Group's future cash flows

The Group expects NIS 18 million in contributions to be paid to the funded defined benefit plan in 2025.

The Group estimates the plan's duration (based on weighted average) to be 10.72 years at the end of the reporting period (2023: 10.53 years).

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 18 - Employee Benefits (cont'd)

B. Post-employment benefit plans – defined contribution plan

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Amount recognized as expense in			
respect of defined contribution plans (*)	51	51	51

- (*) The Group has defined contribution plans in respect of part of its employees who are subject to Section 14 of the Severance Pay Law – 1963 with respect to a certain part of the obligation or all of it. The Group's contributions in respect of defined contribution plans that are deposits in respect of employees who are subject to Section 14 are recognized as expenses in the statement of income.

Note 19 - Other Long-Term Liabilities

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Liability for betterment fee to the Israel Lands		
Authority in respect of investment property	24	22
Deferred income (1)	-	70
Contingent consideration (2)	42	95
Other	23	25
	89	213

- (1) See Note 5.A regarding an investment in a associate company.
(2) See Note 5.C.2 regarding investments in investees.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 20 - Equity

A. Share capital

Composition of the share capital: ordinary shares of NIS 0.1 par value

	2024	2023	2022
Authorized	400,000,000	400,000,000	400,000,000
Issued and paid-in			
Balance as of January 1	274,530,398	274,522,913	274,191,478
Issuance of shares to employees in respect of vesting of restricted share units during the period (1)	23,541	7,485	79,683
Exercise of option warrants (2)	781,080	-	251,752
Balance as at December 31	275,335,019	274,530,398	274,522,913
Treasury shares	8,864,801	8,864,801	8,864,801

(1) The first portion of restricted share units that had been granted in 2022 to two officers who no longer work at the Company vested on March 23, 2024. As a result, the Company issued 23,541 ordinary shares of NIS 0.1 par value.

(2) In 2024, three million option warrants were exercised by seven former officers who no longer work at the Company.

B. Dividends

The following dividends were declared and paid by the Company:

	Date of the Board of Directors' decision to pay the dividend	The amount of the dividend (NIS millions)	NIS per share	Payment date of the dividend
In 2024:				
	March 26, 2024	180	0.68	May 1, 2024
		180	0.68	
In 2022:				
	March 22, 2022	140	0.53	April 26, 2022
		140	0.53	

All the aforesaid distributions were made in cash and did not require court approval.

See Note 33.B hereunder for details regarding the declaration of a dividend distribution by the Company's board of directors subsequent to the reporting date.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 21 - Earnings Per Share

The weighted average number of shares and the profit that were used to calculate the basic and diluted earnings (loss) per share are as follows:

Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

	Year ended December 31		
	2024	2023	2022
Profit attributable to ordinary shareholders (in NIS thousands)	657,000	312,000	1,000
<u>Weighted average number of ordinary shares</u> (in thousands of shares)			
Balance as at January 1	274,530	274,523	274,191
Less treasury shares*	(8,865)	(8,865)	(8,865)
Add weighted restricted shares issued during the period*	18	6	50
Add weighted options exercised into shares during the period*	206	-	195
Weighted average number of ordinary shares used to calculate basic earnings per share	265,889	265,664	265,571
Basic earnings per share (in NIS)	2.47	1.17	0.00

* See Note 20.A.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 21 - Earnings Per Share (cont'd)

Diluted earnings per share

The calculation of diluted earnings per share was based on profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Year ended December 31		
	2024	2023	2022
Profit attributable to ordinary shareholders (in NIS thousands)	657,000	312,000	1,000
<u>Weighted average number of ordinary shares</u> (in thousands of shares)			
Weighted average number of ordinary shares used to calculate basic earnings per share	265,889	265,664	265,571
Add effect of restricted share units not yet issued (see Note 22)	3	2	29
Add effect of share options not yet exercised	186	-	12
Weighted average number of ordinary shares used to calculate diluted earnings per share	266,078	265,666	265,612
Diluted earnings per share (in NIS)	2.47	1.17	0.00

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options and restricted share units was based on quoted market prices for the period that the options and restricted share units were outstanding.

Note 22 - Share-Based Payments

A. General

On May 28, 2019 the Company's board of directors resolved to approve the "Shufersal Ltd – Equity Compensation Plan 2019" (hereinafter – "the Plan") and to submit it to the Tax Authority. According to the plan and as approved by the Company's board of directors and compensation committee, the Company allotted stock options (hereinafter – "the options"), restricted share units and restricted performance share units (hereinafter – "restricted share units") that are non-marketable. The options and restricted share units for the offerees are offered under the terms of the Plan and in accordance with the provisions of the capital gains track prescribed in Section 102(B)(2) ("capital gains track") of the Income Tax Ordinance, and will be deposited with a trustee for the periods prescribed in Section 102(B)(2) of the Ordinance. The options and restricted share units were granted for no consideration.

Each option may be exercised for one ordinary share, NIS 0.1 par value, at the exercise price that was determined (exercise price will be dividend-adjusted). Exercise of the options will be executed in shares in the "net exercise" format.

Each restricted share unit will be automatically realized for one ordinary share, NIS 0.1 par value, with no exercise fee, provided that any performance conditions defined at the time they were granted are met.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 22 - Share-Based Payments (cont'd)

A. General (cont'd)

Presented hereunder are details of outstanding options as at December 31, 2024:

1. Option warrants granted by the Company:

Grant date/eligible employees	Exercise price (in NIS)	Grant date value (in NIS millions)	Number of instruments (in thousands)	Vesting terms*	Contractual duration of the instrument*
Two Company officers on October 2, 2022	23.64	3.1	606	Half after two years, one quarter after three years and one quarter after four years	4 years – first tranche 5 years – second tranche 6 years – third tranche
Two Company officers on June 27, 2023	23.64	3.5	875	Half after two years, one quarter after three years and one quarter after 3.3 years	4 years – first tranche 5 years – second tranche 5.3 years – third tranche
Two Executive VPs on May 27, 2024**	24.82	2.7	392	3 equal annual tranches	3 years – first tranche 4 years – second tranche 5 years – third tranche

Presented hereunder are detail of restricted share units granted by the Company and outstanding as at December 31, 2024:

Grant date/eligible employees	Performance conditions	Grant date value (in NIS millions)	Number of instruments (in thousands)	Vesting terms*
Two Executive VPs on May 27, 2024**	-	1.5	64	3 equal annual tranches

* Commencing from date of board of directors' approval.

** For one of the offerrees the grant came into effect upon the beginning of his employment with the Company, on June 1, 2024.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 22 - Share-Based Payments (cont'd)

A. General (cont'd)

Presented hereunder are the parameters that were used to measure the grant date fair value of equity-settled share-based payment plans

	<u>Granted in 2022</u>	<u>Granted in 2023</u>	<u>Granted in 2024</u>	
	<u>Options to two officers</u>	<u>Options to two officers</u>	<u>Options to two Executive VPs</u>	<u>Restricted share units to two Executive VPS</u>
Grant date fair value (in NIS millions)	3.1	3.5	2.7	1.5
Grant date share price (in NIS)	22.35	19.82	24.50	24.50
Exercise price (in NIS)	24.32	24.32	24.82	-
Expected volatility (%)	23.69	25.93	26.90	-
Average expected life (in years)	5	4.7	4	4
Risk-free interest rate (%)	0.32-0.33	3.58-3.65	4.37-4.54	-
Dividend yield of restricted share units (%)	-	-	-	2.45

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 22 - Share-Based Payments (cont'd)

B. Information on fair value measurement of share-based payment plans

The fair value of the options and restricted share units, for the purposes of the Company's accounting recognition, was determined on the grant date, in accordance with the following:

The fair value of the options is measured using the Black & Scholes method. The model's assumptions include the share price on the measurement date, the instrument's exercise price, expected volatility (based on the weighted average of the historical volatility in the Company's share price over the expected option term), the expected life of the instruments (life of the option for all the offerees will be based on the assumption that all the options will be exercised on the last day of the exercise period) and the risk-free interest rate (based on shekel-denominated Government bonds, with a remaining life equal to the expected life of the options). Service conditions are not taken into account when determining fair value.

The fair value of the restricted share units is measured in accordance with the share's value on the measurement date, after deducting the dividend expectations until the vesting date of each tranche. Service conditions and performance conditions are not taken into account when determining the fair value of restricted share units.

C. Composition and additional information**1. Share options***

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2024	2024	2023	2023	2022	2022
January 1	24.25	10,295,117	24.38	10,733,541	25.55	4,883,884
Exercised during the year	26.32	(3,061,237)	-	-	25.11	(1,836,092)
Forfeited and expired during the year	-	(5,752,687)	-	(2,590,523)	-	(421,033)
Granted during the year	24.82	391,676	24.32	2,152,099	24.13	8,106,782
December 31	23.89	1,872,869	24.25	10,295,117	24.38	10,733,541

* Excluding 14,200 options that were granted in 2023 in the subsidiary Shufersal Real Estate that were forfeited in 2024.

2. Restricted share units

	Number of restricted share units	
	2024	2023
Outstanding as at January 1	108,696	182,380
Exercised during the year	(23,541)	(7,485)
Forfeited during the year	(85,155)	(106,513)
Granted during the year	64,094	40,314
Outstanding as at December 31	64,094	108,696

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 22 - Share-Based Payments (cont'd)

C. Composition and additional information (cont'd)

3. Salary expenses in respect of share-based payment arrangements

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Total expense (income) recognized as salary expense (income) for share-based payments	<u>*(9)</u>	<u>21</u>	<u>9</u>

* Including income in the amount of NIS 20 million in respect of 5 million option warrants and restricted share units of the Company and option warrants of a subsidiary that were forfeited over the year.

Note 23 - Risk Management and Financial Instruments

A. Management of financial risks

1. Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest risk, linkage risk and other price risk)

This note presents qualitative information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk. Additional quantitative disclosure is included in these consolidated financial statements, see Note 23.B.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The committee that was authorized by the Board of Directors to examine the financial statements (in the reporting period until January 30, 2025, acting as an Investment Committee) is responsible for establishing the Group's financial risk management policies and for supervising and monitoring the application of these policies by management.

Note 23 - Risk Management and Financial Instruments (cont'd)**A. Management of financial risks (cont'd)****1. Overview (cont'd)**

The Group's risk management policies are established to identify and analyze the risks faced by the Group and to monitor these risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and procedures, aims to develop an efficient control environment in which all relevant employees understand their roles and obligations.

The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2. Credit riskTrade and other receivables

The Group does not have significant concentrations of credit risk as a result of the Group's policy that ensures that retail sales are usually made in cash or in credit cards, as well as the wide spread of the Group's customers that materially reduces the credit risk.

The Group has a procedure for providing customer credit. According to the procedure the customer provides documents that identify the customer, details of authorized buyers and receipt of personal collateral such as security checks, a bank guarantee, personal guarantees or debt note or third party security, if necessary. Obligo approval authorities are granted according to credit amounts from the credit risk and collection manager up to the CFO, and credit customer aging is monitored monthly.

The Group establishes a provision for expected credit losses that represents its expected credit losses in respect of trade and other receivables.

The main components of this provision are specific loss components that relate to individually significant exposures.

Investments

The Group's investment policy, as was approved by the Company's Investment Committee in January 2018 is as follows: [a] money intended for the repayment of bonds, investments and current payments within a period of 6 months will be invested in bank deposits according to cash flow needs; [b] money intended for such needs after more than 6 months will be invested according to a revised investment policy that mainly provides as follows: up to 15% of the Company's investment portfolio (and not more than NIS 30 million) may be invested in shares tracks as follows: ETF's/funds that track share indices (mainly the TA 35 Index, TA 90 Index and TA 125 index) (it is noted that the policies enable investment of up to 20% of the shares track in the investment portfolio in ETF's in the US and Europe); at least 55% of the investment portfolio will be invested in government bonds, bank deposits and short-term bills with the balance (up to 30% of the portfolio) being invested mainly in corporate bonds rated A and higher.

Derivatives

The counterparties of the derivatives held by the Group are banks rated ilAAA/Negative to ilAAA/Stable based on the rating of S&P Maalot.

Note 23 - Risk Management and Financial Instruments (cont'd)**A. Management of financial risks (cont'd)****3. Liquidity risk**

The Group's approach to managing liquidity risks is to ensure, to the extent possible, that it has sufficient liquidity to meet its liabilities when due. The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

4. Market risks

The objective of managing market risks is to manage and supervise the exposure to market risks within acceptable parameters.

In the ordinary course of business the Group enters into hedging transactions in order to manage market risks. All such transactions are carried out within the guidelines set by the Investment Committee.

Currency risk

The Group primarily operates in NIS. It manages its currency exposure that derives from fluctuations in foreign currency exchange rates in respect of liabilities and cash flows denominated in a foreign currency mainly with respect to imported goods denominated in dollar and euro. The Group took actions to reduce the currency exposure by executing hedging transactions. See also Note 23.B(3) regarding balances of hedging transactions.

Linkage risk

The Group is exposed to linkage risk mainly in respect of CPI-linked bonds that were issued by the Group and CPI-linked lease liabilities. In order to reduce this exposure the Company entered into swap transactions that swap CPI-linked NIS cash flows with fixed NIS cash flows in respect of the Company's 2016 Series F bonds.

Forward contracts:

The Group sometimes hedges the risk inherent in CPI-linked bonds and lease liabilities by executing hedging transactions as decided by the Investment Committee. As at the reporting date, the Group does not have any balances of futures contracts that are CPI-linked forward contracts.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments**1. Credit risk****(a) Exposure to credit risk**

The carrying amounts of the financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	December 31	
	2024	2023
	Carrying amount in NIS millions	
Cash and cash equivalents	945	683
Short-term deposits	1,038	459
Trade receivables	975	997
Other receivables (*)	-	62
Capital notes of associate company (*)	164	196
	3,122	2,397

(*) The balance of short-term and long-term other receivables does not include prepaid expenses, advances to suppliers, advance payment to institutions, current taxes and insurance assets in the amount of NIS 82 million and NIS 135 million as at December 31, 2024 and 2023, respectively.

Composition of the Group's trade receivables:

	December 31	
	2024	2023
	Carrying amount in NIS millions	
Credit card companies	578	547
Checks and notes receivable	47	63
Open credit and other, net	350	387
	975	997

(b) Aging of debts and impairment losses

The aging of debts of trade receivables is as follows:

	December 31			
	2024		2023	
	Gross NIS millions	Provision for impairment NIS millions	Gross NIS millions	Provision for impairment NIS millions
Not past due	972	(2)	990	(3)
Past due 0-30 days	7	(4)	9	(7)
Past due 31 days to one year	18	(16)	27	(19)
Past due more than one year	20	(20)	14	(14)
	1,017	(42)	1,040	(43)

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

1. Credit risk (cont'd)

(b) Aging of debts and impairment losses (cont'd)

The movement in the provision for impairment in respect of trade receivables was as follows:

	December 31	
	2024	2023
	NIS millions	NIS millions
Balance as at January 1	(43)	(51)
Impairment loss reversed	1	8
Bad debt recognized	*_	*_
Balance as at December 31	(42)	(43)

* Indicates an amount lower than NIS 1 million.

Doubtful debts and impairment losses

Expected credit losses are recorded against a provision for impairment. If the Group is satisfied that there is no possibility of collecting the debt, the amount that cannot be collected is deducted from the total amount of the impairment provision against the financial asset. Management of the Group regularly monitors the customer debts, and the financial statements include provisions for impairment that appropriately reflect, in the assessment of management, the expected credit losses.

2. Liquidity risk

The following are the contractual maturities of financial liabilities and financial instruments at undiscounted amounts, including principal payments and estimated future interest payments (*).

	December 31, 2024					Total contractual cash flow
	Carrying amount	Up to one year	2-3 years	4-5 years	More than 5 years	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Derivative financial instruments	(2)	(2)	-	-	-	(2)
Liabilities to banks (***)	(143)	(15)	(31)	(111)	-	(157)
Bonds (**)	(1,947)	(384)	(845)	(749)	(175)	(2,153)
Trade payables	(2,407)	(2,407)	-	-	-	(2,407)
Contingent consideration	(42)	-	(47)	-	-	(47)
Total	(4,541)	(2,808)	(923)	(860)	(175)	(4,766)

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

2. Liquidity risk (cont'd)

	December 31, 2023					Total contractual cash flow
	Carrying amount	Up to one year	2-3 years	4-5 years	More than 5 years	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Derivative financial instruments	(1)	(1)	-	-	-	(1)
Liabilities to banks	(147)	(13)	(30)	(29)	(95)	(167)
Bonds (**)	(2,220)	(373)	(793)	(854)	(482)	(2,502)
Trade payables	(2,297)	(2,297)	-	-	-	(2,297)
Contingent consideration	(95)	-	-	(104)	-	(104)
Total	(4,760)	(2,684)	(823)	(987)	(577)	(5,071)

- (*) 1. Contractual cash flow includes the effect of the CPI at the reporting date.
2. This table also does not include a liability in respect of vouchers that do not have a fixed date of payment.
3. See Note 13 for information on the contractual payment dates of lease liabilities.
- (**) Carrying amount includes the balance of accrued interest.
- (***) The Group has two loans from banking corporations that were taken by subsidiaries. In these loan agreements, the companies committed to comply with financial covenants. As at December 31, 2024 the companies are in compliance with the prescribed financial covenants.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

3. Linkage and foreign currency risks

The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments, as recorded on the books

The Group's exposure to linkage and foreign currency risk is as follows:

	December 31, 2024				
	Israeli currency		Foreign currency		Total
	Unlinked	Linked	Mainly dollar	Other*	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Current assets:					
Cash and cash equivalents	927	-	18	-	945
Short-term deposits	1,038	-	-	-	1,038
Trade receivables	975	-	-	-	975
Other receivables	26	30	-	82	138
Inventory	-	-	-	878	878
Non-current assets:					
Other receivables	3	105	-	-	108
Other investments	29	-	-	-	29
Property, plant and equipment	-	-	-	3,398	3,398
Investment property	-	-	-	1,540	1,540
Intangible assets	-	-	-	1,546	1,546
Right-of-use assets	-	-	-	4,171	4,171
Deferred taxes	-	-	-	156	156
	2,998	135	18	11,771	14,922

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

3. Linkage and foreign currency risks (cont'd)

The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments, as recorded on the books (cont'd)

The Group's exposure to linkage and foreign currency risk is as follows: (cont'd)

	December 31, 2024				
	Israeli currency		Foreign currency	Other*	Total
	Unlinked	Linked	Mainly dollar		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Current liabilities:					
Current maturities of liabilities to banks	-	12	-	-	12
Current maturities of bonds	171	157	-	-	328
Current maturities of lease liabilities	1	436	-	-	437
Trade payables	2,401	-	6	-	2,407
Other payables	732	-	2	631	1,365
Provisions	-	-	-	61	61
Non-current liabilities:					
Liabilities to banks	-	131	-	-	131
Bonds	1,133	486	-	-	1,619
Lease liabilities	3	3,941	1	-	3,945
Employee benefits, net	-	-	-	265	265
Other liabilities	64	-	-	25	89
Deferred taxes	-	-	-	224	224
Equity					
	-	-	-	4,039	4,039
	<u>4,505</u>	<u>5,163</u>	<u>9</u>	<u>5,245</u>	<u>14,922</u>
Net exposure**	<u>(1,507)</u>	<u>(5,028)</u>	<u>9</u>	<u>6,526</u>	<u>-</u>

* Including non-monetary items and monetary items that are not in the scope of IFRS 7.

** The net exposure does not include off-balance sheet liabilities.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

3. Linkage and foreign currency risks (cont'd)

The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments, as recorded on the books (cont'd)

The Group's exposure to linkage and foreign currency risk is as follows: (cont'd)

	December 31, 2023				
	Israeli currency		Foreign currency		Total
	Unlinked	Linked	Mainly dollar	Other **	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Current assets:					
Cash and cash equivalents	683	-	-	-	683
Short-term deposits	459	-	-	-	459
Trade receivables	997	-	-	-	997
Other receivables	52	27	-	135	214
Inventory	-	-	-	*963	963
Non-current assets:					
Investment in associate companies	-	-	-	44	44
Capital notes of associate company	62	-	-	-	62
Other receivables	18	99	-	-	117
Other investments	29	-	-	-	29
Property, plant and equipment	-	-	-	*3,652	3,652
Investment property	-	-	-	1,515	1,515
Intangible assets	-	-	-	1,545	1,545
Right-of-use assets	-	-	-	4,482	4,482
Deferred taxes	-	-	-	151	151
	<u>2,300</u>	<u>126</u>	<u>-</u>	<u>12,487</u>	<u>14,913</u>

* Reclassified – see Note 10.

** Including non-monetary items and monetary items that are not in the scope of IFRS 7.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

3. Linkage and foreign currency risks (cont'd)

The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments, as recorded on the books (cont'd)

The Group's exposure to linkage and foreign currency risk is as follows: (cont'd)

	December 31, 2023				
	Israeli currency		Foreign currency	Other**	Total
	Unlinked	Linked	Mainly dollar		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Current liabilities:					
Current maturities of liabilities to banks	-	9	-	-	9
Current maturities of bonds	156	153	-	-	309
Current maturities of lease liabilities	1	433	-	-	434
Trade payables	2,278	-	19	-	2,297
Other payables	681	-	1	588	1,270
Provisions	-	-	-	71	71
Non-current liabilities:					
Liabilities to banks	-	138	-	-	138
Bonds	1,296	615	-	-	1,911
Lease liabilities	3	4,223	2	-	4,228
Employee benefits, net	-	-	-	259	259
Other liabilities	119	-	-	94	213
Deferred taxes	-	-	-	206	206
Equity	-	-	-	3,568	3,568
	<u>4,534</u>	<u>5,571</u>	<u>22</u>	<u>4,786</u>	<u>14,913</u>
Net exposure***	<u>(2,234)</u>	<u>(5,445)</u>	<u>(22)</u>	<u>7,701</u>	<u>-</u>

** Including non-monetary items and monetary items that are not in the scope of IFRS 7.

*** The net exposure does not include off-balance sheet liabilities.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

3. Linkage and foreign currency risks (cont'd)

Sensitivity analysis

A change in the CPI would have affected the equity and the profit or loss at the amounts presented below. This analysis assumes that other variables remain constant. This analysis does not include off-balance sheet liabilities with regard to the Group's commitments.

	December 31, 2024		December 31, 2023	
	Change in equity	Pre-tax loss	Change in equity	Pre-tax loss
	NIS millions	NIS millions	NIS millions	NIS millions
Increase of 1% in CPI	(39)	(50)	(42)	(54)
Decrease of 1% in CPI	39	50	42	54

The Group's exposure to foreign currency risk is immaterial.

Presented hereunder are the Group's derivative financial instruments as at December 31, 2024:

Derivative description	Currency receivable	Currency payable	Par value NIS millions	Beginning of transaction	Date of expiration/exercise	Fair value NIS millions
<u>Hedges of foreign currency linked transactions:</u>						
Forward – hedge of imported goods	Dollar	NIS	53	1-12.2024	1-6.2025	*-
Forward – hedge of imported goods	Euro	NIS	46	1-12.2024	1-6.2025	(2)
<u>Instrument serving as accounting hedge:</u>						
Interest rate swap	-	-	267	8-11.2016	10.2028	52
Forward – hedge of imported property under construction	Euro	NIS	22	12.2024	6.2025	*-
			388			50

* Indicates an amount lower than NIS 1 million.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

3. Linkage and foreign currency risks (cont'd)

Presented hereunder are the Group's derivative financial instruments as at December 31, 2023:

Derivative description	Currency receivable	Currency payable	Par value NIS millions	Beginning of transaction	Date of expiration/ exercise	Fair value NIS millions
<u>Hedges of foreign currency linked transactions:</u>						
Forward – hedge of imported goods	Dollar	NIS	98	1-12.2023	1-12.2024	*-
Forward – hedge of imported goods	Euro	NIS	113	1-12.2023	1-12.2024	*-
<u>Instrument serving as accounting hedge:</u>						
Interest rate swap	-	-	333	8-11.2016	10.2028	52
Forward – hedge of imported property under construction	Euro	NIS	23	8-11.2023	1.2024	(1)
			567			51

4. Interest rate risk

Interest profile

As at December 31, 2024 and 2023 the Group's interest-bearing financial liabilities are fixed-rate financial liabilities.

5. Fair value

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 and other receivables, trade and other payables and liabilities to banks are the same or proximate to their fair value. The fair values of the bonds and their carrying amount as shown in the statement of financial position, are as follows:

	December 31, 2024		December 31, 2023	
	Carrying amount	Fair value*	Carrying amount	Fair value*
	NIS millions	NIS millions	NIS millions	NIS millions
Bonds (including accrued interest)	(1,947)	(1,931)	(2,220)	(2,228)

* The fair value of the bonds is their value on the stock exchange (level 1).

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

5. Fair value (cont'd)

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.

	December 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	NIS millions				NIS millions			
Financial assets								
Interest rate swap	-	52	-	52	-	52	-	52
Investment*	-	-	29	29	-	-	29	29
	-	52	29	81	-	52	29	81
Financial liabilities								
Contingent consideration	-	-	(42)	(42)	-	-	(95)	(95)
Forward	-	(2)	-	(2)	-	(1)	-	(1)
	-	(2)	(42)	(44)	-	(1)	(95)	(96)
	-	50	(13)	50	-	51	(66)	(15)

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

Financial assets measured at level 3 of the fair value hierarchy

Presented hereunder is the development in the balance of the investment with respect to financial instruments measured at level 3 of the fair value hierarchy:

	Year ended		Year ended	
	December 31, 2024		December 31, 2023	
	Investment in non-marketable shares	Contingent consideration	Investment in non-marketable shares	Contingent consideration
	NIS millions	NIS millions	NIS millions	NIS millions
Balance as at January 1	29	(95)	29	(81)
Additions	-	-	-	(4)
Profits (losses) recognized in profit and loss, net	-	53	-	(10)
Balance as at December 31	29	(42)	29	(95)

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 23 - Risk Management and Financial Instruments (cont'd)

B. Financial instruments (cont'd)

5. Fair value (cont'd)

Fair value sensitivity analysis of level 3 financial instruments carried at fair value

In the opinion of management, a reasonably possible change in one or more unobservable inputs would not have caused a material change in the fair value as at December 31, 2024.

6. Changes in financial liabilities whose cash flows are classified as cash flows from financing activities:

	Credit from banks	Swap transactions	Bonds including current maturity and accrued interest	Total
	NIS millions	NIS millions	NIS millions	NIS millions
Balance as at January 1, 2023	(95)	52	(2,485)	(2,528)
Cash flows paid (received), net	(45)	(3)	385	337
Amounts recognized in other comprehensive income	-	(6)	-	(6)
Amounts recognized in profit and loss	(7)	9	(120)	(118)
Balance as at January 1, 2024	(147)	52	(2,220)	(2,315)
Cash flows paid (received), net	13	(7)	380	386
Amounts recognized in other comprehensive income	-	(2)	-	(2)
Amounts recognized in profit and loss	(9)	9	(107)	(107)
Balance as at December 31, 2024	(143)	52	(1,947)	(2,038)

See Note 13 for details regarding movement in liabilities in respect of lease liabilities.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 24 - Revenues and Cost of Revenues

A. Revenues

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Revenue from retail segment (*)			
On a gross basis	15,275	14,871	14,393
On a net basis (**)	253	207	198
Rental revenue from investment property	116	105	71
	15,644	15,183	14,662

(*) Of the total sales of the retail segment in 2024, 19.3% is from online sales (compared with 19.4% in 2023 and 21.1% in 2022) and 22.2% is from private label sales (compared with 24.2% in 2023 and 24.4% in 2022).

(**) Concession fees from operating in the Group's branches.

B. Cost of revenues

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Purchases, net (*)	9,401	9,471	9,135
Salaries and related expenses	944	956	940
Changes in inventory	85	(64)	(14)
Other (**)	783	793	719
	11,213	11,156	10,780

(*) The cost of purchase of inventory less supplier discounts.

(**) Including mainly expenses with respect to depreciation and amortization, storage costs and transportation of inventory to the final point of sale and costs of manufacturing the inventory. Cost of revenues also includes the cost of services and management in relation to the operation and management of the commercial centers held by the Group.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 25 - Selling, Marketing, General and Administrative Expenses

A. Selling and marketing expenses

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Salaries and related expenses	1,446	1,382	1,314
Rent, management fees and municipal taxes	301	260	244
Depreciation and amortization	830	780	762
Advertising expenses and sales promotion	75	110	160
Cleaning, maintenance and electricity	341	344	351
Credit fees	76	75	87
Transportation and motor vehicles	50	47	66
Security expenses and computers	48	51	61
Other expenses	129	119	153
	3,296	3,168	3,198

B. General and administrative expenses

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Salaries and related expenses	81	107	103
Depreciation and amortization	41	37	34
Maintenance and computers	34	33	36
Consultancy services	18	32	43
Legal claims	15	17	22
Provision for expected credit losses	-	(7)	5
Other expenses	30	35	47
	219	254	290

Note 26 - Other Income (Expenses), Net

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Income (expenses) allocated to liability to institutions	(2)	6	(10)
Capital gain (loss)	24	(1)	13
Changes in estimates in respect of non-financial assets	7	43	-
Gain from sale of associate company (*)	44	-	-
Other, net	3	(3)	(1)
	76	45	2

(*) See Note 5.A.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 27 - Financing Expenses, Net

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Interest expenses on lease liabilities	(148)	(139)	(116)
Interest and CPI-linkage expenses on bonds	(107)	(120)	(151)
Interest expenses on post-employment benefits plan	(31)	(28)	(16)
Bank expenses and management fees	(3)	(4)	(3)
Expenses from fair value adjustment of contingent consideration	-	(10)	(5)
Interest expenses in respect of bank liabilities	(9)	(6)	-
Other expenses	(2)	(5)	(6)
Total financing expenses before deduction of capitalized borrowing costs	(300)	(312)	(297)
Borrowing costs capitalized to qualifying assets	-	2	12
Financing expenses recognized in profit or loss	(300)	(310)	(285)
Income from revaluation of financial assets	-	-	9
Income from hedging transactions	12	25	44
Interest income from employee benefits plan assets	17	15	8
Interest income on subleases	4	3	2
Interest income on bank deposits	63	42	12
Income from fair value adjustment of contingent consideration	53	-	-
Income from income tax interest	5	-	-
Other income	3	3	3
Financing income recognized in profit or loss	157	88	78
Financing expenses, net	(143)	(222)	(207)

Note 28 - Income Tax**A. Details regarding the tax environment of the Group****(1) Corporate tax rate**

The Group's revenues in Israel are subject to corporate tax at the ordinary rate. The corporate tax rate that applies to the Group in Israel is 23%.

Current taxes for the reported periods are calculated according to the aforesaid tax rate.

(2) Non-application of International Financial Reporting Standards (IFRS) for tax purposes

The Company prepares its financial statements beginning on January 1, 2008 in accordance with IFRS.

IFRS differ from accounting principles generally accepted in Israel and accordingly, the preparation of financial statements in accordance with IFRS may reflect a financial position, results of operations and cash flows that are materially different from those presented in financial statements presented in accordance with accounting principles generally accepted in Israel.

According to temporary provisions that were issued in 2010, 2012 and 2014 (hereinafter - the temporary provisions), Accounting Standard No. 29 of the Israel Accounting Standards Board regarding adoption of International Financial Reporting Standards (IFRS) does not apply to the determination of taxable income in 2007-2013, even if IFRS was adopted in the relevant tax years. The meaning of the temporary provisions is that IFRSs do not apply in practice when calculating the income reported for tax purposes for the relevant tax years.

In 2014, an updated law memorandum was published in connection with the amendment to the Income Tax Ordinance (hereinafter - the law memorandum) resulting from application of IFRS in financial statements. Generally, the law memorandum adopts IFRS. However, it suggests several amendments to the Income Tax Ordinance that will serve to clarify and determine the manner of computing taxable income for tax purposes in cases where the manner of computation is unclear and IFRS is incompatible with the principles of the tax method applied in Israel. The legislation process involving the law memorandum has not been completed, and is unlikely to be completed in the near future.

Taking into consideration the temporary provisions that apply to the 2007-2013 tax years and the Company's assessment of the probability that they will be extended also to the 2014-2024 tax years, as aforesaid, the Company calculated its taxable income for 2008-2024 on the basis of the Israeli accounting standards, subject to certain adjustments.

(3) Benefits under the Law for the Encouragement of Industry

Gidron Industries Ltd., a subsidiary, qualifies as an "Industrial Company" as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly it is entitled to, inter alia, higher rates of depreciation.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 28 - Income Tax (cont'd)

B. Deferred tax assets and liabilities

The movement in deferred tax assets (liabilities) is attributable to the following items:

	Vacation and recreation	Employee benefits	Fixed and other assets and investment property	Tax losses NIS millions	Leases (*)	Other items	Total
Balance as at January 1, 2023	<u>23</u>	<u>59</u>	<u>(190)</u>	<u>95</u>	<u>28</u>	<u>(29)</u>	<u>(14)</u>
Changes in 2023							
Recognized in profit or loss	-	(1)	(30)	(7)	(2)	3	(37)
Recognized in other comprehensive income	-	1	(4)	-	-	1	(2)
Business combination	-	-	-	-	-	(2)	(2)
Balance as at December 31, 2023	<u>23</u>	<u>59</u>	<u>(224)</u>	<u>88</u>	<u>26</u>	<u>(27)</u>	<u>(55)</u>
Presented within assets							151
Presented within liabilities							(206)
Total							<u>(55)</u>
Balance as at January 1, 2024	<u>23</u>	<u>59</u>	<u>(224)</u>	<u>88</u>	<u>26</u>	<u>(27)</u>	<u>(55)</u>
Changes in 2024							
Recognized in profit or loss	1	2	(16)	(12)	5	5	(15)
Recognized in other comprehensive income	-	-	1	-	-	1	2
Balance as at December 31, 2024	<u>24</u>	<u>61</u>	<u>(239)</u>	<u>76</u>	<u>31</u>	<u>(21)</u>	<u>(68)</u>
Presented within assets							156
Presented within liabilities							(224)
Total							<u>(68)</u>

- (*) The balance as at December 31, 2024 includes deferred tax assets in the amount of NIS 1,008 million against lease liabilities as well as deferred tax liabilities in the amount of NIS 977 million against right-of-use assets and receivables from leases (as at December 31, 2023 in the amount of NIS 1,072 million and NIS 1,046 million, respectively.)

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 28 - Income Tax (cont'd)

C. Composition of income tax expense

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Current tax expense			
For current year	149	61	73
For prior years	3	22	1
	<u>152</u>	<u>83</u>	<u>74</u>
Deferred tax expense (income)			
Deferred taxes, net	14	62	(42)
Deferred taxes in respect of prior years	1	(25)	-
	<u>15</u>	<u>37</u>	<u>(42)</u>
Total income tax expense	<u>167</u>	<u>120</u>	<u>32</u>

D. Deferred taxes in respect of other comprehensive income

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
<u>Components of deferred taxes in other comprehensive income</u>			
Effective portion of change in fair value of cash flow hedges	(1)	(1)	*-
Revaluation reserve for property, plant and equipment classified as investment property	(1)	4	1
Remeasurement of defined benefit plan	*-	(1)	11
Total	<u>(2)</u>	<u>2</u>	<u>12</u>

* Indicates an amount lower than NIS 1 million.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 28 - Income Tax (cont'd)

E. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense included in the statement of income:

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Profit before taxes on income, as reported in the statements of income	832	443	34
Tax rate	23%	23%	23%
Tax calculated according to the tax rate	191	102	8
Additional tax (tax saving) in respect of:			
Utilization and creation of tax losses and benefits from prior years for which deferred taxes were not created	-	-	(3)
Neutralization of tax calculated in respect of the Company's share in losses of associate companies, net	4	9	9
Change in temporary differences for which deferred taxes were not recognized	(26)	-	(1)
Current year tax losses for which deferred taxes were not created	-	-	9
Taxes in respect of previous years, net	4	(3)	1
Share-based payment	(2)	5	2
Other	(4)	7	7
Income tax expense in the statement of income	167	120	32

F. Tax assessments

- (1) The Company has final tax assessments up to and including the 2020 tax year, and all the amounts the Company is required to pay according to these assessments have been paid in full.

On February 1, 2023 the Company signed a tax assessment agreement with the tax authority in respect of the years 2017-2020, by which the Company paid a total amount of NIS 34 million (including linkage differences and interest in the amount of NIS 7 million). According to the aforesaid agreement, the Company will be allowed to deduct about NIS 25 million of the aforesaid payment beginning from 2023 until 2035.

- (2) The Company has final deductions assessments up to and including 2017. 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 submitted an objection to the assessments. As at the reporting date the Company is holding talks with the tax authority on the aforesaid objection, in which the years 2022 and 2023 were added to the audit. 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.

Note 28 - Income Tax (cont'd)**F. Tax assessments (cont'd)**

- (3) Subsidiaries have final tax assessments up to and including the 2018 tax year, except for one company that has final tax assessment up to the 2022 tax year. As at the date of approval of these financial statements, all the payments owed by those companies according to these assessments have been paid in full.

G. Carry-forward tax losses

The Group has a cumulative business loss for income tax purposes in the amount of NIS 265 million for which the Group has deferred tax assets in the amount of NIS 60 million (as at December 31, 2023 the Group had a cumulative business loss in the amount of NIS 331 million for which it had deferred tax assets in the amount of NIS 77 million). Likewise, the Group has a cumulative capital loss of NIS 69 million, for which a deferred tax asset of NIS 16 million was recognized (as at December 31, 2023, the Group had a cumulative capital loss of NIS 49 million, for which a deferred tax asset of NIS 11 million was recognized).

In accordance with current tax laws, there is no time limitation for utilizing tax losses.

Note 29 - Contingent Liabilities and Commitments**A. Agreement with ICC**

On November 2, 2017 the Company and Israel Credit Cards Ltd. and Diners Club Israel Ltd. (together – “ICC”) signed a term sheet that was updated from time to time (hereinafter – “the term sheet”) for the issuance and operation of non-bank credit cards that will be issued by ICC to the Company’s customers (the operation). The operation was launched on January 18, 2018 (the last date of the Leumi Card agreement). The term sheet provided that the parties would act to sign within 6 months a detailed agreement that arranges all the matters between the parties with respect to the aforesaid operation, while up to the date of signing the detailed agreement the term sheet will bind the parties. As at the date of issuing the financial statements, the detailed agreement has not been signed and the parties continue to operate according to the term sheet (as amended). According to an amendment from April 10, 2022 the term sheet was extended until December 31, 2030, and will be extended each time for periods of two years each, unless one of the parties notifies of its wish to not extend the effect of the document for an additional period by providing notice at least 12 months before the end of each period. The term sheet provides, inter alia, as follows: (1) All the obligations that apply by law to an issuer shall apply to ICC. (2) ICC shall be the only issuer allowed to offer debit cards and loans to the Company's customers. (3) The Company is the owner of the data base of card holders, and it will have all the proprietary rights in the data base, with ICC being only the holder of the data base. (4) The credit cards will be registered under the BIN (Bank Identification Number) of ICC, which will stay with ICC, but at the Company’s request, subject to proper registration, authorization and approval of the relevant international organization (VISA or Mastercard) the credit cards will be registered under the BIN of the Company and cards that are renewed will also be issued under the Company’s BIN. (5) Subject to achieving the operational targets, as prescribed in the term sheet, ICC will pay two bonuses to the Company, of NIS 35 million each at the end of the fourth and eighth year of the agreement. The Company received the first bonus in January 2022. As at December 31, 2024 the Company assessed that it will not meet the targets for the second bonus in 2025 (the eighth year of the agreement) and accordingly in 2024 it included an amount of NIS 18 million (before tax) as a deduction from revenues.

Note 29 - Contingent Liabilities and Commitments (cont'd)**B. Provisions of the Food Law and provisions of the Economic Competition (Restrictive Trade Practices) Law**

In March 2014, the Law for the Promotion of Competition in the Food and Pharmacy Industries – 2014 (“the Food Law”) was published on the Official Gazette. In 2024 the Food Law was amended and some of its provisions apply to the pharmacy sector. The Food Law includes three sets of provisions: (a) provisions regulating the activity of suppliers and retailers, including the activity of a large retailer and a large pharmacy retailer, (b) provisions regarding geographical competition of retailers and large pharmacy retailers, and (c) provisions regulating price transparency. The law also includes a chapter on enforcement, punishment and monetary sanctions.

The provisions of the Economic Competition Law – 1988 (“the Competition Law”) and the Food Law may have an effect on the activity of the Company mainly as to the possibilities of acquiring retail food and consumer goods operations in the future and regarding the trade arrangements between the Company and its suppliers. As at the date of issuing the financial statements, taking into consideration the structure of the food and consumer goods retail market and the legal restrictions that apply to the Company, and in view of the provisions of the Food Law, the Company is of the opinion that there is a low probability that the Company will grow by means of acquiring a significant body in the food and consumer goods retail market. Furthermore, the provisions of the Food Law regarding geographical competition of retailers may affect the ability of the Company to expand by opening new large branches in certain areas.

On August 31, 2005 the Commissioner published approval to the Shufersal-Clubmarket merger with conditions. That decision imposed a number of restrictions on the Company including: it was forbidden to adopt price lists creating a clear loss for the chain, that are not proportional and are aimed at taking competitors off the market; it was forbidden to enter into agreements with its suppliers that limit the ability of those suppliers to engage with competitors of the Company; the Company was also forbidden to interfere with the trade terms established between suppliers and competitors of the Company.

In the framework of the Shufersal B2B operation, the Company sells, inter alia, food products and consumer goods (including private label products of the Company) to retailers and in this capacity is acting as a “supplier” per its definition in the Food Law. As at the reporting date, the Company meets the definition of a “large supplier” and is included in the list of large suppliers issued by the Competition Authority in 2024.

Note 29 - Contingent Liabilities and Commitments (cont'd)**C. Indemnification and insurance of officers**

According to the Company's articles, the Company insures and indemnifies officers in respect of their liability subject to the provisions of the law and other restrictions.

D. Guarantees

As security for the liabilities of the Company and subsidiaries to various parties, the Company provided bank guarantees totaling NIS 23 million.

For additional information on guarantees that were provided to related and interested parties, see Note 32 regarding interested and related parties.

Note 30 - Liens

The Group has liens on assets having a carrying amount of NIS 510 million as at December 31, 2024. The liens have been provided in respect of liabilities of subsidiaries to banks in the amount of NIS 143 million as at December 31, 2024.

Note 31 - Segment Reporting

The Group implements the instructions of IFRS 8, Operating Segments, in accordance with the accounting policies presented. The Group has two reportable segments that are strategic business units. The strategic business units offer different services and products, and the allocation of resources and evaluation of performance are managed separately by the Group's Chief Operating Decision Makers who are the Group's co-CEOs.

The reported segments are:

- The retail segment
- The real estate segment

It is noted that until the date of this report the Group reported three operating segments, with the results of the Be format, which constitutes part of the Group's retail operation, being presented as a separate segment. Due to the fact that for the purpose of making decisions and allocating resources the results of the Be format are reviewed by the Group's chief operating decision maker on the level of the retail operation as a whole and as an integral part of it, as from the financial statements as at December 31, 2024 the results of that format are not presented as a separate segment rather are included in the retail segment. Furthermore, in the fourth quarter of 2024 the keys for allocating the shared corporate expenses of the Group were updated, as from January 1, 2024, in a manner that more appropriately attributes the expenses to the various formats and Group companies, including to its business segments.

The comparative data for 2022 and 2023 have been restated so as to reflect these changes.

Note 31 - Segment Reporting (cont'd)**The retail segment**

This segment includes the activity of marketing and selling food, pharmacy and other products (hereinafter – the retail activity).

As at December 31, 2024, the Group carries out its retail activity in 429 nationwide stores under various formats mainly for marketing purposes and for positioning the specific branch in the minds of the relevant target population. In 2024 these formats mainly include “Shufersal-Deal”, “Universe”, “Yesh Chesed”, “Shufersal Sheli”, “Shufersal Express” and “Be Pharm”. This along with the “Shufersal Online” website and application and other special websites and applications that offer to Group customers the possibility to shop online.

The Group has a mix of varied products for sale in its stores, including products sold as private labels of the Group.

In addition to the aforesaid, the retail segment also includes as follows: (a) “Wholesale food distributor format” (formerly Cash & Carry) – wholesaling in large branches, and ordering goods from branches through the “Shufersal B2B” website and application; (b) “Rural region format” – selling to food retailers by direct supply from the Company’s logistics centers through the “Shufersal B2B” website and application; (c) “Amiga format” – selling and distribution to the institutional market through Shufersal Amiga and Yossi Israeli Distribution Ltd.; (d) “Gidron” – manufacturing frozen and fresh baked products through the subsidiary Gidron, which most of its sales are to the Group’s branches and (e) “Shufersal Stock” – importing and retail selling (by means of “Dan Deal format” stores) and wholesaling of a wide range of products, with an emphasis on particularly competitive prices.

The real estate segment

This segment includes various types of freehold and leasehold properties including commercial centers and other properties. The real estate activity includes developing and improving properties in which commercial, employment and office space are leased out to third parties and for use in the Group’s operations (it is noted that properties that serve as branches of the Group are classified in the Company’s consolidated financial statements as “property, plant and equipment” or right-of-use assets and not as investment property). The better part of the Company’s real estate activity is concentrated in the Shufersal Real Estate group.

The segment’s revenues include rental revenues based on actual amounts that the real estate segment charged the retail segment, and the operating results of the segment include also management fees that were charged to the real estate segment by the retail segment. Pursuant to the agreement between the Company and Shufersal Real Estate, as from January 1, 2023 the rent charged to the retail segment was adjusted so as to reflect market conditions.

Reconciliation to consolidated statements

The reconciliation to consolidated financial statements mainly involve neutralizing rental income of the branches leased by the real estate segment to the retail segment and neutralizing the depreciation expenses of right-of-use assets that are recorded in the retail segment in respect of those branches (about NIS 106, 98 and 97 million in 2024, 2023 and 2022, respectively). The reconciliation also includes adding the depreciation expenses of property, plant and equipment (about NIS 29, 25 and 24 million in 2024, 2023 and 2022, respectively) and reversing changes in the fair value of these branches.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 31 - Segment Reporting (cont'd)

Information regarding the results of the reportable segments is included below:

For the year ended December 31, 2024:

	Retail segment*	Real estate segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	15,528	116	-	15,644
Inter-segment revenues	-	151	(151)	-
Total segment revenues	15,528	267	(151)	15,644
Depreciation and amortization	1,106	3	(73)	1,036
Operating profit before other income (expenses)	790	197	(71)	916
Other income, net	32	113	(68)	77
Operating profit after other income (expenses)	822	310	(139)	993
Financing expenses				(300)
Financing income				157
Share in losses of associate company				(18)
Taxes on income				(167)
Profit for the year				665

* The results of the retail segment include a significant cost of revenues expense item in the amount of NIS 11,179 million.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 31 - Segment Reporting (cont'd)

For the year ended December 31, 2023:

	Retail segment**	Real estate segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	15,078	105	-	15,183
Inter-segment revenues	-	145	(145)	-
Total segment revenues	<u>15,078</u>	<u>250</u>	<u>(145)</u>	<u>15,183</u>
Depreciation and amortization	1,039	1	(73)	967
Operating profit before other income (expenses)	*502	*173	(70)	605
Other income, net	<u>49</u>	<u>118</u>	<u>(65)</u>	<u>102</u>
Operating profit after other income (expenses)	<u>551</u>	<u>291</u>	<u>(135)</u>	<u>707</u>
Financing expenses				(310)
Financing income				88
Share in losses of associate company				(42)
Taxes on income				<u>(120)</u>
Profit for the year				<u>323</u>

* Reclassified according to the aforesaid regarding adjustment of the keys for allocating the shared corporate expenses of the Group.

** The results of the retail segment include a significant cost of revenues expense item in the amount of NIS 11,117 million.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 31 - Segment Reporting (cont'd)

For the year ended December 31, 2022:

	Retail segment**	Real estate segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	14,591	71	-	14,662
Inter-segment revenues	-	135	(135)	-
Total segment revenues	<u>14,591</u>	<u>206</u>	<u>(135)</u>	<u>14,662</u>
Depreciation and amortization	972	1	(73)	900
Operating profit before other income (expenses)	*289	*157	(52)	394
Other income (expenses), net	<u>(200)</u>	<u>294</u>	<u>(205)</u>	<u>(111)</u>
Operating profit (loss) after other income (expenses)	<u>89</u>	<u>451</u>	<u>(257)</u>	<u>283</u>
Financing expenses				(285)
Financing income				78
Share in losses of associate companies, net				(42)
Taxes on income				<u>(32)</u>
Profit for the year				<u>2</u>

* Reclassified according to the aforesaid regarding adjustment of the keys for allocating the shared corporate expenses of the Group.

** The results of the retail segment include a significant cost of revenues expense item in the amount of NIS 10,756 million.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 31 - Segment Reporting (cont'd)

Information regarding products

Presented hereunder is information about the distribution of the Group's sales from principal groups of similar products in the retail segment (gross sales):

1. "Grocery" products which include various food products but not milk and dairy products and beverages.
2. "Beverages".
3. "Dairy products".
4. "Meat and frozen" products which include fresh and frozen meat and fish products and products sold at meat counters.
5. "Vegetable and fruit" products which include various fruits and vegetables and dried fruits.
6. "Pharmacy and cleaning" products which include, inter alia, cleaning and paper products, cosmetics and baby products.
7. "Health and pharmacy" products which include health products and medicine.

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Grocery	3,896	3,793	3,532
Beverages	958	940	942
Milk and dairy products	2,208	2,129	1,968
Meat and frozen	2,059	1,956	1,887
Vegetables and fruit	2,238	2,054	1,973
Pharmacy and cleaning	2,241	2,197	2,140
Health and pharmacy	1,004	950	973

Note 32 - Interested and Related Parties

In the ordinary course of business the Company and its consolidated companies execute transactions at market terms with interested parties, including transactions of the types and characteristics indicated hereunder.

A. Material changes during the year

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 acquired, by means of companies controlled by them, 66,389,833 ordinary shares of the Company (jointly) that at the time constituted 24.99% of the Company's share capital.

After the aforesaid acquisition and throughout the reporting period, there were changes in the composition of the Company's Board of Directors. As at the reporting date the Company's Board of Directors is comprised of ten directors, of which seven are external and/or independent directors (two external directors and five independent directors).

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, even though Messrs. Yosef and Shlomo Amir are of the opinion that they are not controlling shareholders in the Company, including: (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 circumstances.

B. Insignificant non-extraordinary transactions

1. The Company's Audit Committee has established guidelines and rules for classifying a transaction of the Company or of its consolidated and related companies with an interested party as an insignificant transaction as provided in Regulation 41(A3)(1) of Securities Regulations (Annual Financial Statements) – 2010 (hereinafter – "Financial Statement Regulations"). These rules and guidelines also serve to examine the extent of disclosure in a periodic report and in a prospectus (including in shelf offering reports) regarding a transaction of the Company, an entity controlled by it and a related company with a controlling shareholder or which the controlling shareholder has a personal interest in its approval as prescribed in Regulation 22 of Periodic and Immediate Reports Regulations, and in Regulation 54 of Securities Regulations (Details of Prospectus and Draft Prospectus – Structure and Shape) – 1969 (hereinafter – "Details of Prospectus Regulations") (the types of transactions prescribed in Financial Statement Regulations, in Periodic and Immediate Reports Regulations and in Details of Prospectus Regulations are hereinafter called – "interested party transactions"). The guidelines are also used to determine the manner of approving interested party transactions. These guidelines are used with respect to transactions between the Company and related parties of the Company and among themselves. The aforesaid rules and guidelines were updated in February 2025.

Note 32 - Interested and Related Parties (cont'd)**B. Insignificant non-extraordinary transactions (cont'd)**

2. As regards insignificant transactions, the guidelines determine that when there are no special qualitative considerations as a result of the circumstances of the matter, an interested party transaction that is not an extraordinary transaction, will also be considered an insignificant transaction if the quantitative test calculated for the transaction, as relevant, is less than 0.5% or the amount of the transaction does not exceed NIS 10 million, with this amount being adjusted from time to time according to the rate of increase in the Consumer Price Index. For this purpose, the relevant criterion is: (1) sales ratio – total sales in the interested party transaction divided by total annual sales; (2) cost of sales ratio – the cost of the transaction divided by the total annual cost of sales; (3) profit ratio – the actual or forecasted profit or loss attributed to the transaction divided by the average annual profit or loss in the last three years, calculated on the basis of the last 12 quarters for which reviewed or audited consolidated financial statements were issued; (4) asset ratio – the amount of assets in the transaction divided by total assets; (5) liability ratio – the amount of liabilities in the transaction divided by total liabilities; (6) operating expenses ratio – the amount of the expenses in the transaction divided by total annual operating expenses. In those cases that at the Company's discretion all the aforesaid quantitative criteria are not relevant for examining materiality of a transaction, the transaction will be considered material if it exceeds 10% of a different relevant criterion, which will be determined by the Company. It is noted that a transaction can be considered material even if it exceeds 5% of the relevant criterion, subject to qualitative considerations that take into account all the information and relevant circumstances. The guidelines also determined as regards insignificant transactions that in multiannual transactions and in transactions that are executed frequently and repeatedly over a period, the calculation will be on an annual basis. Furthermore, separate transactions which are dependent on each other, such that they are actually part of the same commitment, will be examined as one transaction when testing the materiality component. The Audit Committee also approved guidelines for classifying transactions as extraordinary or non-extraordinary. The classification will be carried out by a forum of the Company's management that will include at least two of the following persons: the Company's CEOs, the Executive VPs, the CFO, the Company's Controller, the Company's General Counsel and Secretary.
3. To the best of the Company's knowledge the Company and its consolidated companies have or had insignificant transactions, that are not extraordinary, with interested parties in the Company, and among themselves, in the ordinary course of their business, and they have or could have commitments to execute such transactions, including of the types and having the characteristics described hereunder:
Transactions involving the Company's gift vouchers and discounts for purchasing products at the Company's branches, the sale of food products or other products in various selling channels of the Group, transactions to purchase products or services in the ordinary course of business.

Note 32 - Interested and Related Parties (cont'd)**C. Transactions with controlling shareholders or in which controlling shareholders have a personal interest that are indicated in Section 270(4) of the Companies Law, which were entered into in 2024 or subsequent to the period of the report until its date of issuance or are in effect on the date of the report****1. Terms of service of the Company's co-CEOs**

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 general 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. See section G hereunder of this note for details.

2. Officers' liability insurance, indemnification letters, release letters for officers and payment of directors' remuneration**(1) Officers' liability insurance**

On September 24 and 26, 2024 the Company's Compensation Committee and Board of Directors, respectively, approved entering into an officers' liability insurance policy for the Company's officers, with Clal Insurance Company Ltd., pursuant to Regulation 1B1 to Companies Regulations (Relaxations in Transactions with Interested Parties) – 2000 ("Relaxations Regulations"). The policy is effective for 14 months beginning from August 1, 2024 and has a liability limit of US\$ 50 million per event and cumulative.

(2) Release and indemnification of officers

On November 5, 2001, after receiving the approval of the Company's Audit Committee and Board of Directors, the Company's general shareholders' meeting approved granting to directors and other officers in the Company, who will be entitled to this, from time to time, an advance release from liability towards the Company in respect of any damage caused to it as the result of the officers breaching their duty of care towards the Company in actions taken by them in good faith as part of their duty as an officer in the Company.

On December 26, 2016, after receiving the approval of the Company's Compensation Committee and Board of Directors on November 7 and 14, respectively, the Company's general shareholders' meeting approved granting updated indemnification letters to Company officers, as they may be from time to time, including officers who are controlling shareholders in the Company and/or their relatives, as they may be and serve from time to time, and to officers in the Company that controlling shareholders in the Company may be considered as having a personal interest in granting them indemnification letters, as they may be and serve from time to time, and to anyone who serves or will serve at the request of the Company as an officer in any other company in which the Company has shares, directly or indirectly, or that the Company has any interest in it, including any such officer who is one of the Company's controlling shareholders and/or their relatives or that controlling shareholders in the Company have a personal interest in granting indemnification to that person, and as they may be and serve from time to time. On November 7, 2016 the Company's Audit Committee decided, pursuant to the provisions of Section 275(A1)(2) of the Companies Law, to limit until December 31, 2024 the period over which the indemnification letters will be granted, from time to time, to officers that controlling shareholders in the Company may be considered having a personal interest in granting them indemnification letters (unlike controlling shareholder officers themselves and their relatives), as will serve in the Company from time to time.

Note 32 - Interested and Related Parties (cont'd)**C. Transactions with controlling shareholders or in which controlling shareholders have a personal interest that are indicated in Section 270(4) of the Companies Law, which were entered into in 2024 or subsequent to the period of the report until its date of issuance or are in effect on the date of the report (cont'd)****2. Officers' liability insurance, indemnification letters, release letters for officers and payment of directors' remuneration (cont'd)****(2) Release and indemnification of officers (cont'd)**

On July 28, 2024, after receiving the approval of the Company's Compensation Committee and Board of Directors on May 21 and 27, 2024, respectively, the Company's general shareholders' meeting approved granting indemnification and release letters to Messrs. Yosef and Shlomo Amir, which are identical to the indemnification and release letters that were granted to the other directors and officers in the Company, other than the release according to the release from liability letter not applying to breach of the duty of care in a decision or transaction in which the controlling shareholder or any officer in the Company (also an officer other than the one for whom the release letter is granted) has a personal interest.

(3) Directors' remuneration

(a) On November 24, 2020 the Compensation Committee and Board of Directors approved the eligibility of the Company's directors (other than external directors) to an annual remuneration and participation remuneration for their service as a director in the Company and for participating in the meetings of the Company's Board of Directors and its committees ("directors' remuneration") in accordance with Companies Regulations (Rules for Remuneration and Expenses of External Director) – 2000 ("Remuneration Regulations"), at the maximum possible amounts prescribed in the Remuneration Regulations, as they are from time to time, and according to the classification of each such director as an expert director or non-expert director and according to the Company's level of classification according to the Remuneration Regulations.

(b) On March 2 and 21, 2023, the Compensation Committee and Board of Directors, respectively, approved according to the provisions of the Companies Law and Regulation 1A(s) to the Relaxations Regulations, to update the decision of the Company's Compensation Committee and Board of Directors from November 24, 2020, so as to clarify that: (a) the aforesaid directors will be entitled also to reimbursement of expenses in connection with their participation in board meetings subject to the approval of the Compensation Committee; (b) a director in the Company who serves also on the board of directors of an investee company of the Company will be entitled to remuneration for participating in board meetings of the investee company and reimbursement of expenses in connection with participating in those meetings according to the Remuneration Regulations (such remuneration will be paid by the investee company, and for an investee company held at the rate of 100% it can be paid by the Company). It was clarified that the aforesaid decision does not apply to external directors and independent directors in the Company.

Note 32 - Interested and Related Parties (cont'd)**C. Transactions with controlling shareholders or in which controlling shareholders have a personal interest that are indicated in Section 270(4) of the Companies Law, which were entered into in 2024 or subsequent to the period of the report until its date of issuance or are in effect on the date of the report (cont'd)****2. Officers' liability insurance, indemnification letters, release letters for officers and payment of directors' remuneration (cont'd)****(3) Directors' remuneration (cont'd)**

(c) It was also clarified that the Company will not pay such directors' remuneration to directors who receive a salary from the Company or investee company or who will be entitled to separate remuneration from the Company or its investee company in respect of holding a position in it (which is not directors' remuneration or expenses for carrying out their duty as directors), this for as long as they are employed for a salary or are entitled to such separate remuneration (which is not directors' remuneration or expenses for carrying out their duty as directors).

(d) On May 21 and 27, 2024, the Company's Compensation Committee and Board of Directors, respectively, approved and confirmed that Mr. Yosef Amir will be entitled to directors' remuneration according to the Remuneration Regulations, which is identical to the present remuneration for the other directors in the Company (external directors and independent directors) according to Regulation 1B(a)(3) of the Relaxations Regulations. It is noted that after the approval of the terms of service of Mr. Yosef Amir as co-CEO, by the Company's general shareholders' meeting on November 3, 2024, as described above in paragraph C.1 of this note, his entitlement to directors' remuneration in respect of the period in which he served as co-CEO was revoked, so that he is entitled to directors' remuneration in the amount of NIS 37 thousand.

3. On March 20, 2025 and March 25, 2025, the Company's Compensation Committee and Board of Directors, respectively, approved the terms of employment of Ms. Elinor Amir, the spouse of Mr. Shlomo Amir, pursuant to Regulation 1B(4) of the Relaxations Regulations, as a consultant to the Company's co-CEOs, as follows: (a) Ms. Amir will be employed by the Company with employee-employer relations as a consultant to the Company's co-CEOs in a full time position; (b) she will be employed for a period of three years as from March 1, 2025, with each of the Company and/or Ms. Amir being permitted to terminate her work at any time by providing an advance notice as required by law. For her work, Ms. Amir will be entitled to the minimum wage prescribed in the Minimum Wage Law – 1987. So as to remove any doubt, insofar as the minimum wage is updated in the future, the salary of Ms. Amir will be adjusted accordingly without the need for additional approval. Furthermore, Ms. Amir will be entitled to the related benefits required by law, including social benefits (pension insurance and severance pay) as required by law, 21 days of vacation and sick leave, recreation allowance, participation in travel expenses. She will also receive the equipment necessary for fulfilling her job such as a cellular phone and laptop.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 32 - Interested and Related Parties (cont'd)

D. Balances with interested and related parties

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>NIS millions</u>	<u>NIS millions</u>
Current assets and liabilities:		
Other receivables – prepaid expenses (*)	(1)	11
Other receivables – insurance assets	*_-	13
Trade payables	(1)	-
Other payables – accrued expenses	(9)	(5)

(*) The highest balance during the reporting period (on the basis of monthly closing balances) was NIS 2 million.

E. Capital notes of associate companies

See Note 5.A and 5.B for information on capital notes of an associate company.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 32 - Interested and Related Parties (cont'd)

F. Transactions with interested and related parties

1. Presented hereunder is a general description of the transactions executed with interested parties of the Company:

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Expenses (1)	(10)	(21)	(27)
Financing income from loan granted to associate	-	1	2

(1) Composition of expenses:

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Cost of revenues	3	3	3
Selling, marketing, general and administrative expenses	7	18	24
	10	21	27

2. In 2024 the Company issued vouchers to related parties in consideration for NIS 10 million (about NIS 9 million and NIS 5 million in 2023 and 2022, respectively).
3. See Note 11.E(4) for information on a collaboration agreement and joint venture between the Company and Migdal, which at the time of the transaction was a related party.

G. Salary, management fees and benefits to key management personnel (including directors)

In addition to their salaries, the Group's to key managerial personnel (including directors) and executive officers that are employed by the Group are entitled to non-cash benefits (such as a car, etc.), and contributes to a post-employment defined benefit plan on their behalf. Certain executive officers have been allotted restricted share units and options to shares of the Company (see Note 22 regarding share-based payments).

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 32 - Interested and Related Parties (cont'd)

E. Salary, management fees and benefits to key management personnel (including directors) (cont'd)

Salary, management fees and benefits to key management personnel include as follows (**):

	Year ended December 31					
	2024		2023		2022	
	Number of people	NIS millions	Number of people	NIS millions	Number of people	NIS millions
Short-term salary, management fees and benefits to key management personnel (*)	2	13	2	6	4	7
Share-based payments (**)	-	-	2	9	3	4
		<u>13</u>		<u>15</u>		<u>11</u>

(*) In 2024 including the co-CEOs of the Company from the date they were appointed. On the other hand, excluding the salary and benefits that were paid to the former chairman of the board and former CEO of the Company, which in 2024 amounted to NIS 2 million.

(**) In 2024 excluding income from cancelling share-based payments relating to the former chairman of the board and former CEO of the Company, which amounted to NIS 3 million.

(***) The main terms of service of each of Mr. Yosef Amir and Mr. Shlomo Amir, as co-CEO in the Company, 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 Consolidated Financial Statements as at December 31, 2024

Note 32 - Interested and Related Parties (cont'd)

E. Salary, management fees and benefits to key management personnel (including directors) (cont'd)

- (3) Related benefits: Customary related benefits, including reimbursement of subsistence and hospitality expenses as customary in the Company, against an invoice or 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.

Directors' fees

Year ended December 31					
2024		2023		2022	
Number of people	NIS millions	Number of people	NIS millions	Number of people	NIS millions
14	4	8	3	11	6

Note 33 - Material Subsequent Events

- A.** Pursuant to the Board of Directors' decisions from March 28, 2023 and June 27, 2023, the Company entered into a restructuring transaction with Shufersal Real Estate Ltd. ("Shufersal Real Estate") and Four Species Ltd. (both wholly owned companies of the Company), by which the Company's logistic centers in Shoham and Rishon Le-Zion and the Company's rights (25%) in the automated delivery center in Modi'in will be transferred to Shufersal Real Estate ("the restructuring transaction") in effect from March 31, 2023 and subject to receiving the necessary regulatory approvals. On March 12, 2025 the Company's Board of Directors decided to withdraw an application for a pre-ruling that it had submitted to the tax authority in connection with the restructuring transaction. In view of the aforesaid, the precondition prescribed in the restructuring transaction was not met and the transaction expired pursuant to its terms before being completed.
- B.** On March 25, 2025, subsequent to the reporting date, the Company's Board of Directors decided to distribute a dividend in the amount of NIS 360 million. The dividend will be paid on May 6, 2025 to the shareholders on record as at April 9, 2025.
- C.** For developments related to legal claims subsequent to the reporting period, see Note 16.D above.

Notes to the Consolidated Financial Statements as at December 31, 2024

Note 34 - Group Entities

	December 31, 2024		December 31, 2023	
	Rate of ownership	Voting rate	Rate of ownership	Voting rate
	%	%	%	%
Active subsidiaries				
Katif Ltd.	100	100	100	100
Gidron Industries Ltd.	100	100	100	100
Shufersal Real-Estate Ltd.	100	100	100	100
Orvani Investment Co. Ltd.*	100	100	100	100
Shufersal Properties Ltd.*	100	100	100	100
Hanetz Exporters and Importers Ltd.*	100	100	100	100
Hyper-Kol Ltd.*	100	100	100	100
Four Species Ltd.	100	100	100	100
Shufersal Bailsol Investments Ltd.*	100	100	100	100
Shufersal Amiga Ltd.	100	100	100	100
Shufersal Travel Ltd.	53	53	53	53
Shufersal Stock Ltd.	100	100	100	100
Lev Hamifratz Ltd.*	58.7	58.7	58.7	58.7
Yossi Israeli Distribution Ltd.**	100	100	100	100
Consolidated partnerships				
Shufersal Finance, Limited Partnership	100	100	100	100
Associate companies				
Paybox Ltd.	-	-	49.9	49.9

* Held indirectly or directly by Shufersal Real-Estate Ltd.

** Held directly by Shufersal Amiga Ltd., see Note 5.C(4)

All the companies were incorporated in Israel.

Shufersal Ltd.

**Separate Financial
Information**

**As at
December 31, 2024**

Separate Financial Information as at December 31,2024

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The shareholders of Shufersal LTD
Reshon Litzion

Dear Sir/Madam,

Re: Auditors' special report on separate financial information in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970

We have audited the separate financial information disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970 of Shufersal LTD (hereafter - "the Company") as of December 31, 2024 and 2023, and for each of the three years, the last of which ended on December 31, 2024. This separate financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on this separate financial information based on our audit.

We did not audit the financial information included in the financial statements of investees, of which the total assets less total liabilities, net amounted to approximately NIS 141 million and NIS 172 million as of December 31, 2024 and 2023, respectively, and the Company's share in their profits (losses) amounted to approximately NIS 12 million, NIS (25) million and NIS (39) million for the years ended December 31, 2024, 2023 and 2022, respectively. The financial statements of those investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar, as it relates to amounts included for those investees, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used in preparing the separate financial information and significant estimates made by the Company's board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the separate financial information is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970.

Tel-Aviv,
March 25, 2025

Limited

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

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Information on Financial Position as at December 31

	Note	2024 NIS millions	2023 NIS millions
Assets			
Cash and cash equivalents		882	663
Short-term deposits		1,038	459
Trade receivables		874	881
Investee companies	6	173	147
Other receivables		97	163
Inventory		818	902*
Total current assets		3,882	3,215
Other investments		29	29
Other receivables		105	117
Investments in investee companies		2,111	2,014
Bonds from consolidated company		160	195
Capital notes of investee companies	6	112	248
Investee companies	6	232	155
Property, plant and equipment		2,356	2,586*
Right-of-use assets	5	3,841	4,130
Intangible assets		1,373	1,366
Deferred taxes	4	156	150
Total non-current assets		10,475	10,990
Total assets		14,357	14,205

* Reclassified – see Note 10 to the consolidated financial statements.

Signed on behalf of the Board of Directors:

Erez Halfon Chairman of the Board of Directors

Shlomo Amir Co-CEO

Yosef Amir Co-CEO

Gil Weiss Chief Financial Officer

Date of approval of the separate financial information: March 25, 2025

Information on Financial Position as at December 31

		2024	2023
	Note	NIS millions	NIS millions
Liabilities			
Capital notes to investee companies		50	65
Current maturities of bonds		328	309
Current maturities of lease liabilities	5	424	422
Trade payables		2,230	2,117
Investee companies		277	167
Other payables		1,257	1,205
Provisions		48	59
Total current liabilities		4,647	4,344
Bonds		1,619	1,911
Lease liabilities	5	3,872	4,136
Employee benefits, net		258	251
Other liabilities		25	94
Total non-current liabilities		5,774	6,392
Equity			
Share capital		245	245
Share premium		1,649	1,649
Reserves		74	78
Treasury shares		(85)	(85)
Retained earnings		2,053	1,582
Total equity		3,936	3,469
Total liabilities and equity		14,357	14,205

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

Information on Income for the Year Ended December 31

		2024	2023	2022
	Note	NIS millions	NIS millions	NIS millions
Revenues		15,058	14,646	14,270
Cost of revenues		10,852	10,831	10,555
Gross profit		4,206	3,815	3,715
Selling and marketing expenses		3,126	3,013	3,082
General and administrative expenses		211	246	278
Total selling, marketing, general and administrative expenses		3,337	3,259	3,360
Operating profit before other income (expenses)		869	556	355
Expenses in respect of streamlining plan		-	-	(178)
Other income (expenses), net		76	45	(12)
Total other income (expenses), net		76	45	(190)
Operating profit after other income (expenses)		945	601	165
Financing expenses		(281)	(285)	(249)
Financing income		124	112	79
Financing expenses, net		(157)	(173)	(170)
Loss from investee companies, net		(11)	(57)	(23)
Profit (loss) before taxes on income		777	371	(28)
Taxes on income	4	(120)	(59)	29
Profit for the year attributable to owners of the Company		657	312	1

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

Information on Comprehensive Income for the Year Ended December 31

	<u>Note</u>	<u>2024</u> <u>NIS millions</u>	<u>2023</u> <u>NIS millions</u>	<u>2022</u> <u>NIS millions</u>
Profit for the year		<u>657</u>	<u>312</u>	<u>1</u>
Other comprehensive income (loss) items 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 financial instruments that are cash flow hedges		(4)	(3)	*_
Net change in fair value of financial instruments 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	4	<u>1</u>	<u>1</u>	<u>*_</u>
Total other comprehensive income (loss) for the year that after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax		(3)	(2)	*_
Other comprehensive income (loss) items that will not be transferred to profit or loss				
Remeasurement of defined benefit plan		-	(5)	47
Other comprehensive loss in respect of investee companies, net of tax		(2)	12	6
Taxes on other comprehensive income items that will not be transferred to profit or loss	4	<u>-</u>	<u>1</u>	<u>(11)</u>
Total other comprehensive income (loss) for the year that will not be transferred to profit or loss, net of tax		(2)	8	42
Other comprehensive income (loss) for the year		(5)	6	42
Total comprehensive income for the year attributable to owners of the Company		<u>652</u>	<u>318</u>	<u>43</u>

* Indicates an amount lower than NIS 1 million.

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

Information on Cash Flows for the Year Ended December 31

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Cash flows from operating activities			
Profit for the year attributable to owners of the Company	657	312	1
Adjustments for:			
Depreciation of property, plant and equipment	429	386	362
Amortization of intangible assets	88	82	77
Depreciation of right-of-use assets	455	435	408
Taxes on income included in income statements	120	59	(29)
Income taxes paid, net	(52)	(70)	(45)
Expenses in respect of streamlining plan	-	-	178
Change in employee benefits	(8)	(17)	2
Gain on sale of non-financial assets	(24)	(1)	(1)
Changes in estimates in respect of non-financial assets	(7)	(43)	-
Loss from realization of debt instruments at amortized cost	-	-	1
Financing expenses, net	157	173	170
Share-based payment	(5)	17	9
Gain from sale of associate*	(44)	-	-
Investee companies	145	51	19
Profit from investee companies	(160)	(107)	(130)
Change in trade receivables	7	514	(4)
Change in other receivables	78	7	29
Change in inventory	84	(69)	30
Change in trade payables	159	71	62
Change in other payables, provisions and other	49	46	44
Net cash from operating activities	<u>2,128</u>	<u>1,846</u>	<u>1,183</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment	(250)	(447)	(583)
Proceeds from sale of property, plant and equipment	5	6	3
Investment in intangible assets	(102)	(92)	(82)
Consideration from sale of associate	78	-	-
Realization of debt instruments at amortized cost, net	-	-	73
Acquisition of investee company	-	-	(105)
Cash from wholly owned company that was merged	-	-	2
Repayment (grant) of loan to investee company	-	6	(6)
Interest received	58	33	13
Capital notes of investee companies	-	(20)	(39)
Redemption of (investment in) deposits, net	(570)	(354)	760
Other long-term investment, net	-	-	(9)
Change in cash in respect of futures contracts, net	3	34	(4)
	<u>(778)</u>	<u>(834)</u>	<u>23</u>
Net cash from investing activities in respect of transactions with investee companies	<u>12</u>	<u>(19)</u>	<u>16</u>
Net cash from (used in) investing activities	<u>(766)</u>	<u>(853)</u>	<u>39</u>

* See Note 5.A to the consolidated financial statements.

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

Information on Cash Flows for the Year Ended December 31

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>NIS millions</u>	<u>NIS millions</u>	<u>NIS millions</u>
Cash flows from financing activities			
Repayment of principal of bonds	(290)	(283)	(278)
Repayment of principal and interest of lease liabilities	(567)	(555)	(501)
Exercise of option to acquire rights in subsidiary	(5)	(8)	-
Dividend paid	(180)	-	(140)
Repayment of capital notes to investee company	(15)	-	-
Proceeds (payments) in respect of hedging transactions	7	3	(1)
Interest paid	(93)	(106)	(114)
Net cash used in financing activities	(1,143)	(949)	(1,034)
Increase in cash and cash equivalents	219	44	188
Cash and cash equivalents at the beginning of the year	663	619	431
Cash and cash equivalents at the end of the year	882	663	619

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

Additional Information to the Separate Financial Information as at December 31, 2024

Note 1 - General

Presented hereunder is financial information from the Group's consolidated financial statements as at December 31, 2024 (hereinafter – "the consolidated financial statements"), which are issued as part of the periodic reports, and which are attributed to the Company itself (hereinafter – "separate financial information"), and are presented in accordance with Regulation 9C (hereinafter – the Regulation) and the tenth addendum to the Securities Regulations (Periodic and Immediate Reports) – 1970 (hereinafter – "the tenth addendum") regarding separate financial information of an entity.

The separate interim financial information should be read together with the consolidated financial statements.

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 Separate Financial Information

The accounting policies described in the consolidated financial statements have been applied consistently to all periods presented in the Company's separate financial information, including the manner by which the financial information was classified in the consolidated financial statements, with any necessary changes deriving from that mentioned hereunder:

A. Presentation of the financial information**(1) Information on the financial position**

Information on amounts of assets and liabilities included in the consolidated financial statements that are attributable to the Company itself (other than in respect of investee companies), according to categories of assets and liabilities, as well as information regarding the net amount, on the basis of the consolidated financial statements, that is attributable to the Company's owners, of total assets less total liabilities, in respect of investee companies, including goodwill.

(2) Information on profit or loss and other comprehensive income

Information on amounts of revenues and expenses included in the consolidated financial statements, allocated between profit and loss and other comprehensive income, attributable to the Company itself (other than in respect of investee companies), while specifying the categories of revenues and expenses, as well as information regarding the net amount, on the basis of the consolidated financial statements, that is attributable to the Company's owners, of total revenues less total expenses in respect of the operating results of investee companies.

(3) Information on cash flows

Information on cash flows included in the consolidated financial statements that are attributable to the Company itself (other than in respect of investee companies), based on the consolidated statement of cash flows, classified according to flows from operating activities, investing activities and financing activities with details of their composition.

Note 2 - Significant Accounting Policies Applied in the Separate Financial Information (cont'd)**A. Presentation of the financial information (cont'd)****(3) Information on cash flows (cont'd)**

The cash flows from operating activities, investing activities and financing activities in respect of transactions with investee companies are presented separately on a net basis, under the relevant type of activity, in accordance with the nature of the transaction.

B. Transactions between the Company and investee companies**(1) Presentation**

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, which were eliminated in preparing the consolidated financial statements, are presented separately from the balance in respect of investee companies and the profit in respect of investee companies, together with similar balances with third parties. Unrealized profits and losses arising from transactions between the Company and its investee companies, are presented as part of the balance in respect of investee companies and as part of the profit in respect of investee companies.

Income and expenses arising from intra-group transactions that are in the scope of IFRS 16 and were eliminated in preparing the consolidated financial statements are not reflected in this condensed separate financial information.

(2) Measurement

Transactions between the Company and its consolidated companies were measured according to the recognition and measurement principles provided in International Financial Reporting Standards ("IFRS") with respect to the accounting treatment of transactions of this kind that are executed with third parties.

Additional Information to the Separate Financial Information as at December 31, 2024
Note 3 - Financial Instruments

See Note 23 to the consolidated financial statements for details on liquidity risk, the derivative financial instruments of the Company and changes in financial liabilities and derivative financial instruments that the cash flows in respect thereto are classified as cash flows from financing activities

Linkage and foreign currency risks
(1) The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments

The Company's exposure to linkage and foreign currency risk is as follows:

	December 31, 2024				
	Israeli currency		Foreign currency		
	Unlinked	Linked	Mainly dollar	Other(*)	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Current assets:					
Cash and cash equivalents	864	-	18	-	882
Short-term deposits	1,038	-	-	-	1,038
Trade receivables	874	-	-	-	874
Investee companies	173	-	-	-	173
Other receivables	18	30	-	49	97
Inventory	-	-	-	818	818
Non-current assets:					
Other investments	29	-	-	-	29
Other receivables	-	105	-	-	105
Investments in investee companies	-	-	-	,2111	2,057
Bonds from consolidated company	60	100	-	-	160
Capital notes of investee companies	112	-	-	-	112
Investee companies	232	-	-	-	232
Property, plant and equipment	-	-	-	2,356	2,311
Right-of-use assets	-	-	-	3,841	3,841
Intangible assets	-	-	-	1,373	1,373
Deferred taxes	-	-	-	156	156
	3,400	235	18	10,704	14,357

Additional Information to the Separate Financial Information as at December 31, 2024
Note 3 - Financial Instruments (cont'd)
Linkage and foreign currency risks (cont'd)

- (1) The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments (cont'd)

	December 31, 2024				
	Israeli currency		Foreign currency		Total
	Unlinked	Linked	Mainly dollar	Other (*)	
	NIS millions	NIS millions	NIS millions	NIS millions	
Current liabilities:					
Capital notes to investee companies	50	-	-	-	50
Current maturities of bonds	171	157	-	-	328
Current maturities of lease liabilities	1	423	-	-	424
Trade payables	2,224	-	6	-	2,230
Investee companies	277	-	-	-	277
Other payables	732	-	2	556	1,290
Provisions		-	-	48	48
Non-current liabilities:					
Bonds	1,133	486	-	-	1,619
Lease liabilities	3	3,868	1	-	3,872
Employee benefits, net	-	-	-	258	258
Other liabilities	-	-	-	25	25
Equity	-	-	-	3,936	3,936
	4,591	4,934	9	4,823	14,357
Net exposure (**)	(1,191)	(4,699)	9	5,881	-

(*) Including non-monetary items and monetary items that are not in the scope of IFRS 7.

(**) The net exposure does not include off-balance sheet liabilities.

Additional Information to the Separate Financial Information as at December 31, 2024
Note 3 - Financial Instruments (cont'd)
Linkage and foreign currency risks (cont'd)
(1) The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments (cont'd)
(2)

	December 31, 2023				
	Israeli currency		Foreign currency		Total
	Unlinked	Linked	Mainly dollar	Other (**)	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Current assets:					
Cash and cash equivalents	663	-	-	-	663
Short-term deposits	459	-	-	-	459
Trade receivables	881	-	-	-	881
Investee companies	147	-	-	-	147
Other receivables	24	26	-	113	163
Inventory	-	-	-	(*)902	902
Non-current assets:					
Other investments	29	-	-	-	29
Other receivables	18	99	-	-	117
Investments in investee companies	-	-	-	2,014	2,014
Bonds from consolidated company	98	97	-	-	195
Capital notes of investee companies	248	-	-	-	248
Investee companies	155	-	-	-	155
Property, plant and equipment	-	-	-	(*)2,586	2,586
Right-of-use assets	-	-	-	4,130	4,130
Intangible assets	-	-	-	1,366	1,366
Deferred taxes	-	-	-	150	150
	<u>2,722</u>	<u>222</u>	<u>-</u>	<u>11,261</u>	<u>14,205</u>

Additional Information to the Separate Financial Information as at December 31, 2024
Note 3 - Financial Instruments (cont'd)
Linkage and foreign currency risks (cont'd)

- (1) The exposure to linkage and foreign currency risk of assets and liabilities, including financial instruments (cont'd)

	December 31, 2023				
	Israeli currency		Foreign currency		Total
	Unlinked	Linked	Mainly dollar	Other (**)	
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Current liabilities:					
Capital notes to investee companies	65	-	-	-	65
Current maturities of bonds	156	153	-	-	309
Current maturities of lease liabilities	1	421	-	-	422
Trade payables	2,098	-	19	-	2,117
Investee companies	167	-	-	-	167
Other payables	681	-	1	523	1,205
Provisions	-	-	-	59	59
Non-current liabilities:					
Bonds	1,296	615	-	-	1,911
Employee benefits, net	-	-	-	251	251
Lease liabilities	3	4,131	2	-	4,136
Other liabilities	-	-	-	94	94
Equity	-	-	-	3,469	3,469
	<u>4,718</u>	<u>5,320</u>	<u>22</u>	<u>3,603</u>	<u>14,205</u>
Net exposure (***)	<u>(1,996)</u>	<u>(5,098)</u>	<u>(22)</u>	<u>7,116</u>	<u>-</u>

(*) Reclassified – see Note 10 to the consolidated financial statements.

(**) Including non-monetary items and monetary items that are not in the scope of IFRS 7.

(***) The net exposure does not include off-balance sheet liabilities.

Additional Information to the Separate Financial Information as at December 31, 2024**Note 3 - Financial Instruments (cont'd)****A. Linkage and foreign currency risks (cont'd)****(2) Sensitivity analysis**

An increase in the CPI would have affected the equity and the profit or loss at the amounts presented below. This analysis assumes that other variables remain constant. This analysis does not include off-balance sheet liabilities with regard to the Company's commitments in respect of lease agreements.

	December 31, 2024		December 31, 2023	
	Change in equity	Pre-tax loss	Change in equity	Pre-tax loss
	NIS millions	NIS millions	NIS millions	NIS millions
Increase of 1% in CPI	(36)	(47)	(39)	(51)

A decrease in the CPI at the same rate as at December 31 2023 and 2022 would have the same effect, although in the opposite direction, assuming that all other variables remain constant.

The Company's exposure to foreign currency risk in respect of the US dollar is immaterial.

Note 4 - Income Tax**A. Details regarding the tax environment of the Company**

The tax rate relevant to the Company in the years 2022-2024 is 23%.

Current taxes for the reported periods are calculated according to the tax rates presented above.

Additional Information to the Separate Financial Information as at December 31, 2024**Note 4 - Income Tax (cont'd)****B. Deferred tax assets and liabilities**

The movement in deferred tax assets (liabilities) is attributable to the following items:

	Vacation and recreation	Employee benefits	Property, plant and equipment and other assets	Tax losses	Leases	Bonds from subsidiary	Other items	Total
	NIS millions							
Balance as at January 1, 2023	22	57	(25)	47	86	-	(27)	160
<u>Changes in 2023</u>								
Recognized in profit or loss	(1)	(1)	2	(6)	(3)	1	(4)	(12)
Recognized in other comprehensive income	-	1	-	-	-	-	1	2
Balance as at December 31, 2023	21	57	(23)	41	83	1	(30)	150
<u>Changes in 2024</u>								
Recognized in profit or loss	1	2	(45)	(10)	4	-	12	5
Recognized in other comprehensive income	-	-	-	-	-	-	1	1
Balance as at December 31, 2024	<u>22</u>	<u>59</u>	<u>(27)</u>	<u>31</u>	<u>87</u>	<u>1</u>	<u>(17)</u>	<u>156</u>

C. Composition of income tax expense

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Current tax expense (income)			
Current year	126	25	8
Adjustments for prior years, net	(1)	22	-
	<u>125</u>	<u>47</u>	<u>8</u>
Deferred tax expense (income)			
Deferred taxes, net	(10)	37	(37)
Deferred taxes for prior years	5	(25)	-
	<u>(5)</u>	<u>12</u>	<u>(37)</u>
Total income tax expense (income)	<u>120</u>	<u>59</u>	<u>(29)</u>

Additional Information to the Separate Financial Information as at December 31, 2024**Note 4 - Income Tax (cont'd)****D. Deferred taxes in respect of other comprehensive income**

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
<u>Components of deferred taxes in other comprehensive income</u>			
Change in fair value of derivative financial instruments	1	1	-
Remeasurement of defined benefit plan	-	1	11
Total	1	2	11

E. Tax assessments

The Company has final tax assessments up to and including the 2020 tax year, and all the amounts the Company is required to pay according to these assessments have been paid in full. For further details see Note 28.F to the consolidated financial statements.

F. Carry-forward tax losses

The Company has a carry-forward capital loss of NIS 69 million, for which a deferred tax asset of NIS 16 million was recognized (as at December 31, 2023 the Company had an accumulated capital loss of NIS 49 million for which a deferred tax asset of NIS 11 million was recognized).

Furthermore, the Company has an accumulated business loss for tax purposes in the amount of NIS 64 million for which it created a deferred tax asset in the amount of NIS 15 million (as at December 31, 2023 the Company had an accumulated business loss of NIS 129 million for which a deferred tax asset of NIS 30 million was recognized).

In accordance with current tax laws, there is no time limitation for utilizing tax losses.

Additional Information to the Separate Financial Information as at December 31, 2024**Note 5 - Leases**

The Company's lease agreements mainly relate to land and buildings it uses in its business operations. In addition, the Company subleases some of the land and buildings that do not serve its business operations, usually at the same terms as the original lease.

A. Receivables from leases

	Year ended December 31 2024	Year ended December 31 2023
	NIS millions	NIS millions
Balance as at January 1	67	57
Receipts of principal and interest	(16)	(15)
Interest income	4	3
Additions*	21	20
Other**	2	2
Balance as at December 31	78	67

* Due mainly to new agreements and modifications that were made in lease agreements, such as extension of the lease term.

** Due mainly to adjustments to the Consumer Price Index.

Forecasted cash flows expected from lease receivable assets

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Up to one year	14	14
One to five years	45	37
More than five years	34	28
	93	79
Total contractual cash flow		

Additional Information to the Separate Financial Information as at December 31, 2024
Note 5 - Leases (cont'd)
B. Right-of-use assets

	Year ended December 31 2024	Year ended December 31 2023
	NIS millions	NIS millions
Balance as at January 1	4,130	4,072
Depreciation	(455)	(435)
Additions, net*	18	322
Reversal of impairment of right-of-use assets	3	33
Other**	145	138
Balance as at December 31	3,841	4,130

* Due mainly to new agreements and modifications that were made in lease agreements, such as extension of the lease term.

** Due mainly to adjustments to the Consumer Price Index.

C. Lease liabilities

	Year ended December 31 2024	Year ended December 31 2023
	NIS millions	NIS millions
Balance as at January 1	4,558	4,501
Repayment of principal and interest	(567)	(555)
Financing expenses	145	135
Additions, net*	13	342
Reduction in respect of streamlining plan	-	(2)
Other**	147	137
Balance as at December 31	4,296	4,558
Current maturities of lease liabilities	424	422
Long-term lease liabilities	3,872	4,136
Total lease liabilities	4,296	4,558

* Due mainly to new agreements and modifications that were made in lease agreements, such as extension of the lease term.

** Due mainly to adjustments to the Consumer Price Index.

Additional Information to the Separate Financial Information as at December 31, 2024**Note 5 - Leases (cont'd)****C. Lease liabilities (cont'd)****Forecasted cash flows expected from lease liabilities**

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Up to one year	555	543
One to five years	2,031	2,039
More than five years	2,523	2,864
Total contractual cash flow	5,108	5,446

D. Additional information on leases**1. Amounts recognized in profit or loss**

	December 31 2024	December 31 2023
	NIS millions	NIS millions
Depreciation on right-of-use assets	(455)	(435)
Variable lease payments not included in the measurement of lease liabilities*	(91)	(69)
Interest expenses on leases, net	(141)	(132)
Gain from termination of lease contracts and from recognition of receivables from leases	26	
Adjustment in respect of streamlining plan	3	35
Total expenses	(681)	(601)

* Mainly expenses based on turnover and management fees that are recognized in the framework of selling and marketing expenses.

2. Amounts recognized in the statement of cash flows

	Year ended December 31 2024	Year ended December 31 2023
	NIS millions	NIS millions
Cash inflow from leases	16	15
Cash outflow from leases	567	555

Note 6 - Material Commitments and Transactions with Investee Companies**A. Capital notes of investees**

- (1) On December 19, 2012 the sub-subsidiary Shufersal Bailsol Investments Ltd. issued the Company a capital note in the amount of NIS 8 million. The note is unlinked, does not bear interest and as yet has no repayment date but may not be paid before the elapsing of five years from its issuance.
- (2) On January 1, 2017 Four Species Ltd. issued the Company a capital note in the amount of NIS 80 million, which is unlinked, does not bear interest but is not payable before the elapsing of five years from its issuance. In April 2023 the Company converted the capital note into a loan bearing variable interest according to the rate prescribed that year in Income Tax Regulations (Determining Interest Rate for Section 3(j)) – 1986 (without linkage differences). The subsidiary undertook to repay the loan to the Company plus its accumulated interest within 60 days from a demand by the Company, providing that the repayment is not demanded in the two years following the date of the loan.
- (3) On July 4, 2021, January 1, 2022 and July 1, 2022 the associate company Paybox Ltd. issued the Company capital notes in the amount of NIS 23 million, NIS 22 million and NIS 21 million, respectively. The fair value of the capital notes as at the date of signing the agreements is NIS 21 million, NIS 20 million and NIS 19 million, respectively. The difference between the value of the capital notes as aforesaid and their par value in the amount of NIS 2 million, for each one of the capital notes, was recognized in the balance of the investment in the associate company as a shareholders' benefit.

On January 13, 2023 and on July 23, 2023 Paybox Ltd. issued the Company capital notes in the amount of NIS 21 million and NIS 18 million, respectively. The capital notes do not bear interest, are not linked and will be repaid after at least five years have elapsed since their date of issuance and at the sole discretion of Paybox. Accordingly, the capital notes were included in the balance of the investment in the associate company. In June 2024 the aforesaid capital notes were realized in the framework of the sale of the Company's holdings in Paybox. See Note 5.A.1 to the consolidated financial statements for more information.

- (4) Further to the Company's investment in the Dan Deal operation through Shufersal Stock Ltd. (a wholly owned subsidiary), on January 1, 2023 the Company converted a loan in the amount of NIS 106 million into 5 capital notes that were issued to the Company by Shufersal Stock. The capital notes do not bear interest and will be repaid after at least five years have elapsed since their date of issuance. The fair value of the capital notes as at the date of their issuance is NIS 77 million. The difference between the value of the loans as aforesaid and their par value in the amount of NIS 29 million is included in the balance of the investment in investee companies as an owners' benefit.
- (5) On January 1, 2023 and March 20, 2023 Shufersal Amiga Ltd. (a wholly owned subsidiary) issued the Company capital notes in the amount of NIS 15 million and NIS 5 million, respectively. The capital notes do not bear interest, are not linked and will be repaid after at least five years have elapsed since their date of issuance. The fair value of the capital notes as at the date of signing the agreement is NIS 11 million and NIS 4 million, respectively. The difference between the value of the loans as aforesaid and their par value in the amount of NIS 4 million and NIS 1 million, respectively, is included in the balance of the investment in investee companies as an owners' benefit.

Additional Information to the Separate Financial Information as at December 31, 2024**Note 6 - Material Commitments and Transactions with Investee Companies****A. Capital notes of investees (cont'd)**

- (6) On December 30, 2024 the Company paid a capital note in the amount of NIS 15 million that it had issued to a subsidiary, Hyper Green Wave Network Ltd. on January 1, 2023.
- (7) For additional information regarding investee companies, see Note 5 to the consolidated financial statements.

B. Investment in shares

On February 26, 2024, Paybox Ltd. 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. On June 16, 2024, the Company and Discount Bank entered into a sale agreement, by which the bank will acquire all the Company's holdings and rights in Paybox. For additional information see Note 5.A.1 to the consolidated financial statements.

C. Agreements to provide services and for lease of assets

- (1) Up to and including the year ended December 31, 2023 the Company had a service agreement with several investee companies by which it provided these companies management services, office services and bookkeeping services. Total income from management fees amounted to NIS 7 million and NIS 5 million in 2023 and 2022, respectively. In 2024 the management fees were adjusted after the Company reassessed the allocation key of the shared corporate expenses. The income from management fees amounted to NIS 23 million in 2024.
- (2) On January 1, 2017 the Company and Shufersal Real Estate entered into a framework agreement (that replaced the agreements they had until that date) by which the Company will continue to rent from Shufersal Real Estate the same assets (mainly branches) that it uses ("the framework agreement"). In 2023 another adjustment was made to the rent payments paid by the Company to Shufersal Real Estate, in effect from January 1, 2023, so as to reflect market conditions. According to the framework agreement, the rent period was extended such that the count of the first rent period would be from the date of the adjustment to the rent payments for 8 years with two options of 8 years and of 8 years and 11 months, respectively.

D. Transactions with investee companies

Presented hereunder is information regarding transactions with investee companies:

	Year ended December 31		
	2024	2023	2022
	NIS millions	NIS millions	NIS millions
Purchases	1,103	1,094	1,031
Rent expenses and management fees	178	170	160
Financing income	18	23	28

Additional Information to the Separate Financial Information as at December 31, 2024

Note 7 - 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 1 to the consolidated financial statements for details regarding additional material events in the reporting period.
- C. See Note 16 to the consolidated financial statements for details regarding developments relating to claims and legal proceedings.

Note 8 - Material Events Subsequent to the Reporting Date

See Note 33 to the consolidated financial statements for details regarding material events subsequent to the reporting period.

Part D

More details about the corporation For 2024

2024



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Additional Details on the Corporation as of December 31, 2024
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Additional Details on the Corporation for 2024

Company name: **Shufersal Ltd. ("Shufersal" or the "Company")** company no. **52-0022732**

Address: **Kiryat Shufersal, 30 Binyamin Shamokin Street,** Telephone: 03-9481727
Rishon Lezion 7536333 (Regulation 25A)
 (Regulation 25A) Fax: 03-9480917
 (Regulation 25A)

Report Date: **March 25, 2025**
 (Regulation 1)

Statement of financial position date: **December 31, 2024** website www.shufersal.co.il
 email hilac@shufersal.co.il

Regulation 9D: Report concerning the liabilities schedule according to repayment dates:

See current report the Company publishes (T-126) alongside with this periodic report.

Regulation 10A: A summary of the consolidated statements of profit or loss including quarters for 2024 (in ILS millions)

	2024				
	<u>Year</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>
Revenues	15,644	3,762	4,100	3,996	3,786
Gross profit	<u>4,431</u>	<u>1,098</u>	<u>1,168</u>	<u>1,138</u>	<u>1,027</u>
Total sale, marketing, administrative and general costs	(3,515)	(875)	(902)	(876)	(862)
Operating profit before other revenues	<u>916</u>	<u>223</u>	<u>266</u>	<u>262</u>	<u>165</u>
Increase (decrease) in fair value of investment property, net	1	(32)	10	16	7
Other revenues (costs), net	76	2	54	9	11
Operating profit after other revenues (costs)	<u>993</u>	<u>193</u>	<u>330</u>	<u>287</u>	<u>183</u>
Financing expenses, net	(143)	20	(55)	(55)	(53)
Share in losses of associates	(18)	-	-	(9)	(9)
Income before taxes on income	<u>832</u>	<u>213</u>	<u>275</u>	<u>223</u>	<u>121</u>
Taxes on income	(167)	(44)	(37)	(54)	(32)
Profit for the period	<u>665</u>	<u>169</u>	<u>238</u>	<u>169</u>	<u>89</u>

Additional Details on the Corporation as of December 31, 2024
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Regulation 10A (continued): A summary of the statements of the consolidated comprehensive profit, including quarters for 2024 (in ILS millions)

	2024				
	Year	Q4	Q3	Q2	Q1
Profit for the period	665	169	238	169	89
Items of other comprehensive profit (loss) following first recognition in comprehensive profit that were transferred or to be transferred to profit and loss					
The effective part of the change to fair value of instruments used to hedge cash flows	(4)	(3)	_*	(2)	1
Net change in fair value credited to principal of hedging cost	_*	_*	_*	_*	_*
Taxes for items of other comprehensive profit first recognized in comprehensive profit and to be transferred to profit and loss	1	1	_*	_*	_*
Other comprehensive profit (loss) for the period after first recognizing in comprehensive profit and transferred or to be transferred to profit and loss, net of tax	(3)	(2)	_*	(2)	1
Items of other comprehensive profit (loss) not to be transferred to profit and loss					
Remeasurement of defined benefit plan	(1)	(13)	-	12	-
Revaluation reserve for fixed asset items classified as investment real estate	(2)	-	-	(2)	-
Taxes for items of other comprehensive profit not to be transferred to profit and loss	1	3	-	(2)	-
Total other comprehensive profit (loss) for the period not to be transferred to profit and loss, net of tax	(2)	(10)	-	8	-
Other comprehensive profit (loss) for the period, net of tax	(5)	(12)	_*	6	1
Total comprehensive profit for the period	<u>660</u>	<u>157</u>	<u>238</u>	<u>175</u>	<u>90</u>
Total comprehensive profit attributable to:					

Additional Details on the Corporation as of December 31, 2024
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	2024				
	Year	Q4	Q3	Q2	Q1
Controlling shareholders of the Company	652	155	237	171	89
Non-controlling interests	8	2	1	4	1
Total comprehensive profit for the period	<u>660</u>	<u>157</u>	<u>238</u>	<u>175</u>	<u>90</u>

* Amounts lower than ILS 1 million

Regulation 10C: Use of securities proceeds

As of this date, the Company has used the issue proceeds (together with cash balances existing in the Company) mostly for repaying its obligations (principal and interest), for investing in subsidiaries and investee companies, and for making various investments according to the Company's policy regarding management of its liquid balances.

Additional Details on the Corporation as of December 31, 2024
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Regulation 11: List of investments in subsidiaries and material associates as of the Report Date, on the financial situation

Company name	Class of share and par value in ILS *	Number of issued shares	Total par value issued (in ILS)	Cost in reported amounts (ILS millions)	Value in the standalone financial statements as defined in Regulation 9C as of December 31, 2024 (ILS millions)	Holding rate in percentages			
						Number of shares	Equity	Voting	Authority to appoint directors
Shufersal Real Estate Ltd.	1.00 ordinary shares	1,000,100	1,000,100	388	1,656	1,000,100	100	100	100

* Ordinary shares

Regulation 11 (continued): Loans and capital notes that the Company granted to its subsidiaries and material associates as of the date of the statement on financial position:

Loan/capital note receiver	Loan and capital note balance, including accrued interest (ILS millions)	Loan/capital note details	Interest	Linkage type	Repayment years
Shufersal Real Estate Ltd.	60	Loan	5.09%	-	Principal to be repaid in 13 equal annual payments starting October 8, 2017. Annual interest starting October 8, 2017
Shufersal Real Estate Ltd.	101	Loan	4.3%	Linked to the Consumer Price Index	Principal to be repaid in 9 equal annual payments starting October 8, 2020. Annual interest starting October 8, 2016

Regulation 12: Changes to investments in the subsidiary and material associate during the Report Period:

On February 26, 2024, Paybox Ltd. (a private company where the Company held some 49.9% of its share capital, “Paybox”) issued ordinary shares to its shareholder according to their holding rate thereof, so that there was no changes to the holding rates of the shareholders. The Company was issued 70,641 ordinary shares in return for some ILS 18 million.

For details on the sale of the Company’s holdings in Paybox, see Note 5.A.1 to the financial statements.

Regulation 13: Revenue of material subsidiaries and associates and revenue thereof for the year ending on the report date (in ILS millions)*:

<u>Company name</u>	<u>Profit (loss) per annum attributable to the owners of the Company</u>	<u>Profit (loss) before tax attributable to the owners of the Company</u>	<u>Dividends and distribution of profits</u>	<u>Revenue Management fees</u>	<u>Revenue on interest</u>
Shufersal Real Estate Ltd.	224	293	-	19	9

* Dividends interest and management fees that the Company received or that it is entitled to receive from any of its subsidiaries or associates.

Regulation 20: Trade on the stock exchange – securities listed for trade

In 2024 the Company issued 804,621 ordinary shares as a result of the exercise of (nonmarketable) options and from the vesting of performance share units (PSU) by past and present officers of the Company.

Additional Details on the Corporation as of December 31, 2024

Regulation 21: Remuneration for interested parties and senior officers –

- On September 11, 2022, the extraordinary general meeting of the Company's shareholders (following the approval of the Company's remuneration committee and board of directors) approved an updated remuneration policy for the Company's officers ("**Remuneration Policy**"). The Remuneration Policy is valid for a three (3) year period starting from the approval date of the general meeting as stated. For more information, see the supplemental report to the convening of a general meeting dated September 11, 2022 (reference number: 2022-01-094089).
- Below are the details of the remuneration granted in the reporting year, as recognized in the financial statements as of December 31, 2024, to each of the five biggest remuneration holders among the senior officers in the Company or in a corporation under its control, and which were granted to it in connection with its tenure at the Company or corporation under its control (the data is presented on an annual basis, in terms of employer cost, in ILS thousands):

Details of the remuneration recipients				Remuneration for services (In ILS thousand)							Other remuneration (In ILS thousand)			Total (In ILS thousand)
Name	Role	Scope of position	Equity holding rate in the Company on the report date	Salary and related ^[1]	Management fees	Bonus ^[2]	Share based payment ^[3]	Consulting fees	Commission	Other **	Interest	Rent	Other ***	
Yosef Amir ^[4]	Co-CEO	100%	24.92%*	-	2,243	2,937	-	-	-	1,538	-	-	37	6,755
Shlomo Amir ^[5]	Co-CEO	100%	24.92%*	-	2,243	2,937	-	-	-	1,538	-	-	-	6,718
Efrat Binshtok ^[6]	Deputy to the Co-CEOs	100%	-	1,237	-	963	724	-	-	-	-	-	-	2,961
Itshak Cohen-Yehonatan ^[7]	Deputy to the Co-CEOs	100%	-	1,291	-	876	724	-	-	-	-	-	-	2,891
Aaron Kaufman ^[8]	VP and General Counsel	100%	-	860	-	502	709	-	-	-	-	-	-	2,072

* This holding rate reflects a joint holding of Mr. Yosef Amir together with Mr. Shlomo Amir, through private companies under their full ownership, as set forth in the Company's interested party liabilities schedule published on January 7, 2025, reference number: 2025-01-002365.

** Allocation for transition period, in ILS thousands.

*** Directors remuneration paid to Mr. Yosef Amir in the period starting on his initial appointment date as director of the Company and until his appointment date as co-CEO of the Company. For more information see Note 32C(3)(c) to the financial statements.

Regulation 21 (continued): Remuneration for interested parties and senior officers

Comments and additional details

1. Salary and related

The data in the above table in the “salary and related” column express the employer cost recorded in the Company’s financial statements in connection with the employment of the officer in 2024, and includes the labor wage as well as the cost of related terms, such as fringe benefits allocations at acceptable rates, a vehicle including grossing up, telephone and additional standard related costs.

2. Bonus

- A. The data in the above table under the “bonus” column reflect the total bonuses as approved for the officers in 2024 by the remuneration committee and board of directors, in accordance with the Remuneration Policy (for details see below).
- B. According to the remuneration policy and annual bonus plan for 2024 (the “**2024 Plan**”), the total annual budget for bonuses to the Company’s officers shall not in any case exceed 2% of the operating profit (before bonuses and neutralizing costs recorded by the Company for capital remuneration), according to the consolidated annual financial statements for the year for which the bonus is paid. Thus, a threshold condition for the payment of bonuses was determined, whereby in a year when the operating profit as appearing in the Company’s consolidated financial statements (neutralizing the bonuses to the officers and neutralizing costs that the Company recorded for capital remuneration) shall be lower than ILS 450 million, no annual bonuses shall be distributed.¹
- C. With respect to Messrs. Yosef Amir and Shlomo Amir, the co-CEOs, pursuant to the approval of the general meeting of Company shareholders dated November 3, 2025, each of the co-CEOs is entitled to an annual bonus deriving from the Company’s net profit, before tax, after offsetting expenses for a streamlining plan, and after offsetting a change in the fair value of investment real estate (the “**Profit**”) with a cap not exceeding ILS 4,000,000 per annum, pursuant to brackets to be determined. The annual bonus set forth in this section is to be paid only in years when the Profit, as defined above, is at least ILS 200,000,000. For further details on the entitlement of the additional CEOs to an annual bonus, see the report on convening a (supplemental) meeting published by the Company on October 28, 2024 (reference number: 2024-01-612223), which is presented in this report by way of reference (the “**Convening Report**”).
- D. For 2024 the Company is in compliance with the threshold conditions as stated, which are set forth above with respect to the annual bonuses, and it is not in excess of the bonus budget set out with respect to the bonuses set forth in B. above. The Company indicators set forth in the 2024 plan for the officers of the Company (except with respect to Mr. Yosef Amir and Mr. Shlomo Amir), and in accordance with the remuneration policy, are: [a] Total revenue (25% of the Company indicators’ weight); [b] rate of operating profit (50% of the Company indicators’ weight), and [c] operating costs with respect to revenue (25% of the Company indicators’ weight). As stated in the remuneration policy, the targets for each such indicator are the target for that indicator in the Company’s budget of that year. For some of the officers different personal indicators were also determined, which are key performance indicators (KPI) according to their role and the Company’s work plan. According to the remuneration policy and as a component of the annual bonus, in addition to the Company indicators (and the personal indicators, if relevant), a manager evaluation also exists (except with respect to the co-CEOs) as part of which an evaluation was conducted of qualitative indicators. The annual bonus includes a target-based bonus component, which is paid for accurately meeting 100% of the targets to be set for the officer.
- E. In addition, the Company’s competent organs are permitted to granted officers a special bonus (“**Special Bonus**”) due to a special contribution of an officer to the Company’s activity, subject to caps determined in the Company’s remuneration policy.

¹ It is noted that the threshold condition determined in the Company’s remuneration policy is an operating profit of ILS 350 million.

F. For more information regarding the bonuses to the Company's officers, see the Remuneration Policy. For details about the specific bonuses granted to the five officers included in the above table, see below the reference to each of those officers.

3. Share-based payment

A. The data appearing in the above table under the "share-based payment" column, reflect the accounting expense the Company recognized in the 2024 financial statements, pursuant to the accounting rules (IFRS2 International Financial Reporting Standard) for options and restricted share units granted to the officers. For additional details on the manner of determining the capital remuneration, see the Remuneration Policy.

B. For holdings of options and restricted share units of the Company allocated to officers listed in the table of Section 1 above, see the holdings of interested parties list published on January 7, 2025 (reference number: 2025-01-002365).

For details of the terms of options and restricted share units:

10/22 Options: see the private placement report dated October 3, 2022 (reference number: 2022-01-100230), the private placement report dated June 28, 2023 (reference number: 2023-01-060235) and the private placement report dated May 28, 2024 (reference number: 2024-01-055023).

Shufersal RSUs: see the private placement report dated May 28, 2024 (reference number 2024-01-055023).

4. Remuneration for the Company's co-CEO, Mr. Yosef Amir

A. Mr. Yosef Amir has been serving as co-CEO of the Company since April 7, 2024. On November 3, 2024, the Company's general meeting, after obtaining approvals from the Company's remuneration committee and board of directors in their meetings dated September 24 and 26, 2024, respectively, approved the terms of office of Mr. Yosef Amir in his position as co-CEO of the Company. For the terms of office of Mr. Yosef Amir as co-CEO of the Company, see the Convening Report (as defined above).

B. Presented below are the main terms of office of Mr. Yosef Amir: (a) Mr. Yosef Amir shall provide the Company with CEO services as part of a services agreement, through a private company that he fully owns, for monthly management fees of ILS 250,000 (two hundred and fifty thousand shekels) (annual management fees of ILS 3,000,000 (three million shekels)), against an invoice and with the addition of VAT per law, in effect starting from his appointment date as co-CEO of the Company, on April 7, 2024. The management fees include payment for a vehicle. The monthly payment is to be linked to the index increase with respect to the March 2024 index; (b) Mr. Yosef Amir shall be entitled to variable remuneration (annual bonus), as set forth in 2C above; (c) Mr. Yosef Amir shall be entitled to generally accepted related benefits as well as to officer insurance and letters of release and indemnity in form acceptable to the Company (in this respect, see also regulation 29A below); (d) in accordance with the provisions of the Remuneration Policy, the services agreement shall be effective for an indefinite period (subject to periodic approvals in accordance with the provisions of law) and shall be terminable by either party upon delivery of six (6) month advance notice, during which Mr. Yosef Amir shall be entitled to all of his terms of office and employment; (e) in addition, Mr. Yosef Amir shall be entitled to a six (6) month transition period during which he will be entitled to all his terms of office and employment.

C. For more information about the terms of office of Mr. Yosef Amir, see the Convening Report.

5. Remuneration to the co-CEO of the Company. Mr. Shlomo Amir

A. Mr. Shlomo Amir has been serving as co-CEO of the Company since April 7, 2024. On November 3, 2024, the Company's general meeting, after obtaining the approvals of the Company's remuneration committee and board of directors on September 24 and 26, 2024, respectively, approved the terms of office of Mr. Shlomo Amir in his role as co-CEO of the Company.

B. Presented below are the main terms of office of Mr. Shlomo Amir: (a) Mr. Shlomo Amir shall provide the Company with CEO services as part of a services agreement, through a private company that he fully owns, for monthly management fees of ILS 250,000 (two hundred and fifty thousand shekels) (annual management fees of ILS 3,000,000 (three million shekels)), against an invoice and with the addition of VAT per law, in effect starting from his appointment date as co-CEO of the Company, on April 7, 2024. The management fees include

payment for a vehicle. The monthly payment is to be linked to the index increase with respect to the March 2024 index; (b) Mr. Shlomo Amir shall be entitled to variable remuneration (annual bonus), as set forth in 2C above; (c) Mr. Shlomo Amir shall be entitled to generally accepted related benefits as well as to officer insurance and letters of release and indemnity in form acceptable to the Company (in this respect, see also regulation 29A below); (d) in accordance with the provisions of the Remuneration Policy, the services agreement shall be effective for an indefinite period (subject to periodic approvals in accordance with the provisions of law) and shall be terminable by either party upon delivery of six (6) month advance notice, during which Mr. Shlomo Amir shall be entitled to all of his terms of office and employment; (e) in addition, Mr. Shlomo Amir shall be entitled to a six (6) month transition period during which he will be entitled to all his terms of office and employment.

C. For more information about the terms of office of Mr. Shlomo Amir, see the Convening Report.

6. Remuneration for the deputy to the co-CEOs, Ms. Efrat Binshtok

A. Ms. Binshtok has been employed at the Company as deputy to the co-CEOs since June 1, 2024.

B. The terms of employment of Ms. Binshtok include a monthly salary of ILS 104,500 gross (linked to the May 2024 index, or in any event no lower than the latest salary paid to her), as well as related benefits acceptable by the Company.

C. The terms of employment of Ms. Binshtok are in effect for an indefinite period, and they state that either party may terminate the contractual engagement with delivery of 90 day advance notice, and during such period she shall be entitled to all her terms of employment. In addition, in the event of termination of the parties' employment relationship absent extraordinary circumstances, Ms. Binshtok shall be entitled to a transition period, which is to commence at the end of the advance notice period, during which she shall be entitled to the terms of her employment, except for bonuses, subject to: (a) should Ms. Binshtok actually serve for at least two years in her position, she will be entitled to a 3 month transition period; (b) if Ms. Binshtok is to service in practice at least five years in her position, then she will be entitled to a 6-month transition period, all pursuant and subject to the terms set out in her employment agreement.

D. Due to Ms. Binshtok's role, after the approval of the Company's remuneration committee and board of directors, on June 25, 2024, the Company (following the approval of the Company's remuneration committee and board of directors) allocated 195,838 options of the Company to her that are convertible into 195,838 Company shares par value ILS 1.00 each, with an exercise price and vesting terms set out in the allocation agreement with Ms. Binshtok. Furthermore, the Company allocated 32,047 RSUs. The allocated was carried out under section 102 of the Income Tax Ordinance. For more information see the current report dated May 28, 2024 (reference number: 2024-01-055023), which is included in this report by way of reference.

E. In addition, according to her employment agreement, Ms. Binshtok is entitled to an annual bonus under the Company's annual bonus plan, as it shall be from time to time (as of this date, upon fully meeting the quantitative performance targets set for her – a bonus in scope of 8 salaries, and in the event of overperformance, a bonus not to exceed up to 12 salaries). The annual bonus for Ms. Binshtok includes meeting the Company metrics (70%) and management assessment (30%).

On March 25, 2025, the Company's board of directors approved the payment of an annual bonus to Ms. Binshtok for 2024, amounting to some ILS 963,000 for meeting the targets set for her for 2024 at a rate of 124%. In addition, the Company's board of directors (further to the remuneration committee's approval) approved a Special Bonus of around ILS 345,000, for her contribution to improving the Company's results.

F. Ms. Binshtok's employment agreement includes a non-compete clause, under the terms set forth therein, for the duration of her employment and for a period of 6 months following her employment termination.

7. Remuneration for the deputy to the co-CEOs, Mr. Itshak Cohen Yehonatan

A. Mr. Cohen Yehonatan has been employed as deputy to the co-CEOs since May 1, 2024.

- B. The terms of employment of Mr. Cohen Yehonatan include a monthly salary of ILS 95,000 gross (linked to the May 2024 index, but in any event no lower than the latest salary paid to him), as well as related benefits acceptable by the Company.
 - C. The terms of employment of Mr. Cohen Yehonatan are in effect for an indefinite period, and they state that either party may terminate the contractual engagement with delivery of 90 day advance notice, and during such period he shall be entitled to all his terms of employment. In addition, in the event of termination of the parties' employment relationship absent extraordinary circumstances, Mr. Cohen Yehonatan shall be entitled to a transition period, which is to commence at the end of the advance notice period, during which he shall be entitled to the terms of his employment, except for bonuses, subject to: (a) should Mr. Cohen Yehonatan actually serve for at least two years in his position, he will be entitled to a 3 month transition period; (b) if Mr. Yehonatan Cohen is to service in practice for at least five years in his position, then he will be entitled to a 6-month transition period, all pursuant and subject to the terms set out in his employment agreement.
 - D. Due to Mr. Yehonatan Cohen's role, after the approval of the Company's remuneration committee and board of directors, on June 25, 2024, the Company (following the approval of the Company's remuneration committee and board of directors) allocated 195,838 options of the Company to him that are convertible into 195,838 Company shares par value ILS 1.00 each, with an exercise price and vesting terms set out in the allocation agreement with Mr. Yehonatan Cohen. Furthermore, the Company allocated 32,047 RSUs. The allocated was carried out under section 102 of the Income Tax Ordinance. For more information see the current report dated May 28, 2024 (reference number: 2024-01-055023), which is included in this report by way of reference.
 - E. In addition, according to his employment agreement, Mr. Yehonatan Cohen is entitled to an annual bonus under the Company's annual bonus plan, as it shall be from time to time (as of this date, upon fully meeting the quantitative performance targets set for him – a bonus in scope of 8 salaries, and in the event of overperformance, a bonus not to exceed up to 12 salaries). The annual bonus for Mr. Yehonatan Cohen includes meeting the Company metrics (70%) and management assessment (30%).
- On March 25, 2025, the Company's board of directors approved the payment of an annual bonus to Mr. Yehonatan Cohen for 2024, amounting to some ILS 876,000 for meeting the targets set for him for 2024 at a rate of 124%. In addition, the Company's board of directors (further to the remuneration committee's approval) approved a Special Bonus of around ILS 231,000, partly for his contribution to improving the Company's results.
- F. Mr. Yehonatan Cohen's employment agreement includes a non-compete clause, under the terms set forth therein, for the duration of his employment and for a period of 6 months following his employment termination.

8. Remuneration for VP and General Counsel, Mr. Aaron Kaufman

- A. Mr. Kaufman has been employed as VP and General Counsel since January 15, 2023.
- B. The terms of employment of Mr. Kaufman include a monthly salary of ILS 80,000 gross (linked to the May 2024 index, but in any event no lower than the latest salary paid to him), as well as related benefits acceptable by the Company.
- C. The terms of employment of Mr. Kaufman are in effect for an indefinite period, and they state that either party may terminate the contractual engagement with delivery of 90 day advance notice, and during such period he shall be entitled to all his terms of employment.
- D. Due to Mr. Kaufman's role, after the approval of the Company's remuneration committee and board of directors, on September 4, 2023, the Company (following the approval of the Company's remuneration committee and board of directors) allocated 437,713 options of the Company to him that are convertible into 437,713 Company shares par value ILS 1.00 each, with an exercise price and vesting terms set out in the allocation agreement with Mr. Kaufman. For more information see the current report dated June 28, 2023 (reference number: 2023-01-060235), which is included in this report by way of reference.
- E. In addition, according to his employment agreement, Mr. Kaufman is entitled to an annual bonus under the Company's annual bonus plan, as it shall be from time to time (as of this date, upon fully meeting the quantitative performance targets set for him – a bonus in scope of 6 salaries, and in the event of overperformance, a bonus

not to exceed up to 9 salaries). The annual bonus for Mr. Kaufman includes meeting the Company metrics (70%) and management assessment (30%).

On March 25, 2025, the Company's board of directors approved the payment of an annual bonus to Mr. Kaufman for 2024, amounting to some ILS 502,000 for meeting the targets set for him for 2024 at a rate of 98%.

- F. Mr. Kaufman's employment agreement includes a non-compete clause, under the terms set forth therein, for the duration of his employment and for a period of 6 months following his employment termination.

9. Remuneration for Company directors

It is noted, pursuant to the provisions of the Remuneration Policy, the directors serving in the Company, as they shall be from time to time, are entitled to directors remuneration and related costs that do not exceed what is accepted. Directors remuneration and related costs that were recognized as an expense by the Company in the 2024 financial statement, for whoever was a director of the Company in said period, not including the chairman of the board, amount to some ILS 4 million. The Company directors (except for Mr. Yosef Amir, who also serves as co-CEO of the Company) receive directors remuneration (an annual bonus and a participation bonus) in the maximum permitted amounts under the Companies (Rules Regarding Remuneration and Expenses for External Directors) Regulations, 5760-2000, as they shall be from time to time, and in accordance with the classification of the directors (expert/non-expert) and pursuant to the bracket in which the Company will be classified according to its equity in the year preceding the year for which the remuneration is paid. For details about directors remuneration paid to Mr. Yosef Amir in the period commencing on his appointment date as directors of the Company until the date of his appointment to co-CEO of the Company, see Note 32C(3)(c) to the financial statements.

10. Indemnity, release and insurance of Company directors

The Company's officers are entitled to letters of release and indemnity and to officers insurance as is Company standard. For more information see regulation 22 below.

Regulation 21A: Control of the corporation

As of December 31, 2024, and as of the publication date of this periodic report, the Company is a company without a controlling shareholder, under the meaning of such term in section 1 of the Securities Law. It is nonetheless noted that on April 16, 2024, the Company received a letter from counsel for Messrs. Yosef and Shlomo Amir in connection with a voluntary application of certain provisions that apply to controlling shareholders of the Company, further to the hearing they held on the matter with staff of the Israel Securities Authority, although in the opinion of Messrs. Yosef and Shlomo Amir and their counsel they are not controlling shareholders of the Company,² including: (a) the terms of office and employment of Messrs. Yosef Amir and Shlomo Amir and their relatives, as well as extraordinary transactions in which they have a personal interest, are to be brought for the Company's approval pursuant to the provisions of the fifth chapter in the Companies Law that apply to a controlling shareholder or pursuant to the Companies (Easements in Interested Party Transactions) Regulations, 5760-2000, insofar as they are relevant; (b) the provisions applicable to a controlling shareholder in connection with the majority required to approve the appointment and termination of external directors of the Company are to apply to Messrs. Yosef Amir and Shlomo Amir, pursuant to the provisions in V of Chapter 1 in Part Six of the Companies Law. As part of the letter it was further clarified that its contents are to be in effect starting from the date of the letter and until there is no material change in circumstances.

Regulation 22: Transactions with a controlling shareholder, or in which the controlling shareholder has a personal interest:

Throughout the entire report period, and as of the report date, the Company has no controlling shareholder, both under its meaning in section 1 of the Securities Law and under its meaning in section 268 of the Companies Law. Nonetheless, further to the notice of Messrs. Yosef and Shlomo Amir in connection with the voluntary application of certain provisions that apply to controlling shareholders of the Company, as set out in regulation 21 above, although in the opinion of Messrs. Yosef and Shlomo Amir and their counsel they are not controlling shareholders of the Company. According to the foregoing notice, for details on transactions between the

² For more information, see the current report the Company published on April 16, 2024 (reference number: 2024-01-043569).

Company and Messrs. Yosef Amir or Shlomo Amir and transactions that either one of them have a personal interest in, see Note 32 to the financial statements.

Regulation 24: Holdings of interested parties and senior officers of the Company in shares and other securities of the Company currently before the report date

For details about the holding status of interested parties and senior officers in the Company's securities as of December 31, 2024, see the Company's current report dated January 7, 2025 (reference number: 2025-01-002365).

Regulation 24A: Registered share capital, issued share capital, and convertible securities, as of the report date:

1. The corporation's registered share capital – 400,000,000 ordinary shares of ILS 0.1 par value each
2. The corporation's total issued share capital as of the report date is 275,335,019 ordinary shares par value ILS 0.1 each (out of which 8,864,801 are dormant shares under Section 308 of the Companies Law without right to the share capital and without voting rights, which are held by the Company).

Regulation 24B: Shareholders registry, as of the report date

For details about the Company's shareholders registry, see the current report dated February 24, 2025 (reference number: 2025-01-012724).

Additional Details on the Corporation as of December 31, 2024

Regulation 26: The directors of the corporation

Below are details about the directors of the corporation as of the report publication date:

	Erez Halfon	Yosef Amir	Eldad Avraham	Iris Shapira Yalon	Moshe Attias
ID number	028557239	023615099	033670498	022980379	057862377
Date of birth	June 24, 1971	March 28, 1968	December 27, 1976	May 29, 1967	August 24, 1962
Address for service of judicial documents	22 Katzenelson, Kiryat Ono	2 Halevona, Ramat Hasharon	8 Ein Harod, Ramat Hasharon	24 Jabotinsky, Givatayim	14 Alumot, Ramat Efal
Citizenship	Israel	Israel	Israel	Israel	Israel
Role with the Company	Chairman of the board*	Director and co-CEO	External director	External director	Independent director
Companies in the board of directors' committees	No	Member of the business strategy and development committee	Chairman remuneration committee, member audit committee, strategy and business development committee, branch development committee	Chairman of the balance sheet committee, chairman of the audit committee, member of the committee	Member of balance sheet committee, branch development committee
External director	No	No	Yes	Yes	No
Independent director	Yes	No	Yes	Yes	Yes
Accounting and financial expertise or professional qualifications?	Accounting and financial expertise	No	Accounting and financial expertise	Accounting and financial expertise	Accounting and financial expertise
Employee of the corporation, subsidiary, associate or of an interested party	No	Yes	No	No	No
The day of which he/she began serving as a director of the Company	March 4, 2024	March 4, 2024	May 24, 2016	July 21, 2021	June 21, 2022
Education	BA in Social Sciences and Communications, Bar Ilan University;	High school	BA in Economics and Logistics, Bar Ilan University	BA in Accounting and Economics, Tel Aviv University; certified public accountant	BA in Economics and Accounting, Tel Aviv University; Masters in Advanced Accounting Studies, Tel Aviv University. Certified Public

Additional Details on the Corporation as of December 31, 2024

	Erez Halfon	Yosef Amir	Eldad Avraham	Iris Shapira Yalon	Moshe Attias
	Masters in Public Policy Management, Reichman University				Accountant
Employment in the last five years	Chairman of Trans-Israel Pipeline, including chairman of the finance/financial statements committee, business development committee and HR, salary and remuneration committee; chairman of the board at Dorad Energy Ltd. and chairman of the Israel Football Leagues Administration	Chairman of the board at FreshMarket Ltd., head of financial and business department at FreshMarket Ltd.	Business and economic adviser in the area of mergers and acquisitions of Israeli companies in industrial areas – self employed	Tenure as external director of a number of companies and corporations, including Electra Real Estate, Rotem Industries Ltd., Computer Direct Group Ltd., lectures at directors' training course, audit committee member at Adler Institute non-profit, WIZO and member of audit committee at Me-Hayom non-profit.	CFO Matrix IT Ltd., director of Matrix IT Ltd. group companies and director of Spirit of Israel – Israel Foundation Ltd.
Additional corporations where he/she serves as director	Chairman of Trans-Israel Pipeline and chairman of the Israel Football Leagues Administration, director at Shufersal Real Estate Ltd., vice president of the non-profit Nefesh B'Nefesh Aliya	Shufersal Real Estate Ltd. (chairman) and serves in private companies that he owns (without activity)	External director of Naphtha Israel Petroleum Corporation Ltd., Electra Ltd. and Python Industry Ltd. chairman committee for investments in non-profit Eilam	Mei Avivim Ltd., XTL Biopharmaceuticals Ltd. and City People Ltd.	Director of Spirit of Israel – Israel Foundation Ltd.
Family member of an interested party	No	Yes	No	No	No
A director that the Company considers an expert in accounting and finance for purpose of meeting the minimum number determined by the board of directors under Section 92(a)(12) of the Companies Law, 5759-1999	Yes	No	Yes	Yes	Yes

* Mr. Erez Halfon serves as the acting chairman of the board of the Company.

Additional Details on the Corporation as of December 31, 2024

	Michal Arlosoroff	Hezi Zaig	Tsili Naveh	Itzhak Shapira	Moshe Weingarten
ID number	055458921	056599996	028906055	069054872	057448912
Date of birth	August 22, 1958	September 28, 1960	April 11, 1972	August 19, 1949	April 15, 1962
Address for service of judicial documents	15 Bat Sheva, Herzliya	28 Haam Hatsarfati Boulevard, Ramat Gan	55 Hashikma, Savyon	43 Hahol Road, Kfar Vitkin	1 Emanuel Tovim, Tel Aviv
Citizenship	Israel	Israel	Israel	Israel	Israel
Role with the Company	Independent director	Director	Independent director	Independent director	Director
Companies in the board of directors' committees	Audit committee and remuneration committee	No	No	Audit committee and balance sheet committee	No
External director	No	No	No	No	No
Independent director	Yes	No	Yes	Yes	No
Accounting and financial expertise or professional qualifications?	Professional qualifications	Accounting and financial expertise	Accounting and financial expertise	Accounting and financial expertise	Accounting and financial expertise
Employee of the corporation, subsidiary, associate or of an interested party	No	No	No	No	No
The day of which he/she began serving as a director of the Company	September 27, 2023	March 4, 2024	March 4, 2024	March 4, 2024	March 4, 2024
Education	Bachelor of Political Science and Labor Studies; Bachelor of Law (LL.B), Tel Aviv University; Analysis of Financial Statements, Management Faculty at Tel Aviv University (Lahav Center); Advancement Management Program (AMP186), Harvard Business School)	Bachelor of Accounting and Economics, Ben Gurion University, Certified Public Accountant	Bachelor of Laws (LL.B), University of Sheffield, England; licensed attorney, Israel Bar Association	MD, Tel Aviv University; Bachelor Healthcare Administration, University of Haifa	Bachelor in Economics and Political Science, Tel Aviv University; Masters in business administration with specialization in financing, Tel Aviv University
Employment in the last five years	Senior VP, management company, general counsel, company secretary, ESG officer and corporate communications officer of Adama	Founder and managing partner at Zaig Zohar Investments Ltd., chairman of Israel Postal Service Ltd., chairman of the Yarkon	Chairperson Children and Adult District Psychiatric Committee	Vice president of Ichilov Hospital and medical administrator of the Ichilov Medical Corporation. He also served as the head of the Ichilov	Founder and managing partner of Altshuler Shaham Global Opportunities Ltd.

Additional Details on the Corporation as of December 31, 2024

	Michal Arlosoroff	Hezi Zaig	Tsili Naveh	Itzhak Shapira	Moshe Weingarten
	Agricultural Solutions Ltd.; board members and legal counsel of Adama Ltd. (the controlling shareholder of Adama Agricultural Solutions Ltd.)	River Authority		Rehabilitation Hospital (until 2024)	
Additional corporations where he/she serves as director	Holmes Place Ltd. (external directors), GenCell Ltd. (independent director), director of Or Lechinuch non-profit, member of the general meeting of Fair Planet non-profit, director at a number of private companies of the Adama group	Director Shufersal Real Estate Ltd. and independent director of Rani Zim Shopping Centers Ltd. and SH.I.R Real Estate Ltd.	-	-	Director of Shufersal Real Estate and in 2I Ventures GPGP Ltd., 2I Management Ltd., Altshuler Shaham Global Opportunities Ltd., I Funds Capital Ltd. and in private companies that he wholly owns
Family member of an interested party	No	No	No	No	No
A director that the Company considers an expert in accounting and finance for purpose of meeting the minimum number determined by the board of directors under Section 92(a)(12) of the Companies Law, 5759-1999	No	Yes	Yes	Yes	No

Directors whose term in office ended during the Report period and in the period thereafter until the report publication date:

Name	Itzhak Aberkohen	Shlomo Zohar	Ron Hadassi	Ilan Ron
ID	053272944	051979466	059258269	059149831
Commencement of service	June 21, 2022	June 21, 2022	June 21, 2022	June 21, 2022
Termination of service	April 7, 2024	March 4, 2024	September 1, 2024	September 1, 2024

Additional Details on the Corporation as of December 31, 2024

Regulation 26A: The Corporation's senior officers as of the report publication date

Name	Identification number	Date of birth	Date of commencement of service	Position in the Company, a subsidiary of the Company or an interested party therein	Is he a family member of another senior officer or an interested party in the Company	Education	Employment in the last 5 years
Shlomo Amir	027876812	06-Sep-1970	07-Apr-2024	Co-CEO	Yes	Mechanical engineering, Technion Haifa	CEO of FreshMarket Ltd.
Yosef Amir	023615099	28-Mar-1968	07-Apr-2024	Co-CEO; director; chairman of the board Shufersal Real Estate Ltd.	Yes	High School	Chairman of the board FreshMarket Ltd., head of finance and business department FreshMarket Ltd.
Efrat Binshtok	033012642	02-Jul-1976	01-Jun-2024	Deputy CEO	No	CPA, Bachelor in Economics and Accounting, Ben Gurion University	Partner at Deloitte
Itshak Cohen Yehonatan	025072935	15-Oct-1973	01-May-2024	Deputy CEO; director of a number of group subsidiaries	No	Bachelor of Laws (LL.B) and Master in Business Administration, Reichman University	Attorney and partner at Shibolet & Co.
Gil Weiss	025345034	28-May-1973	01-Sep-2024	CFO; director of a number of group subsidiaries	No	Bachelor of Accounting and Business Administration, The College of Management; Master in Business Administration, The College of Management	Partner at Deloitte, member of the management committee of Hetz Umataara nonprofit

Additional Details on the Corporation as of December 31, 2024

Name	Identification number	Date of birth	Date of commencement of service	Position in the Company, a subsidiary of the Company or an interested party therein	Is he a family member of another senior officer or an interested party in the Company	Education	Employment in the last 5 years
Aaron Kaufman	015139827	3-Mar-1970	15-Jan-2023	VP, General Counsel; director of T.M.I.R Manufacturers Recycling Corporation in Israel Ltd.	No	LL.B, Tel Aviv University	CEO IDB Development Corp Ltd., VP and GC at IDB and Discount Investments Corp Ltd.; Director at Cellcom Israel Ltd., Mehadrin Ltd., Israil Airlines and Tourism Ltd., Modiin Energy LP (chairman), Epsilon Investment House Ltd.
Ella Berin	316871656	19-May-1970	01-May-2024	Chief Commercial Officer	No	Bachelor of Mechanical Engineering, Belarusian National Technical University	Head of commerce and procurement FreshMarket Ltd.
Eran Sela	056243249	19-Mar-1960	13-Apr-2022*	VP operations and sales; director of a number of group subsidiaries	No	Bachelor of Economics and Business Administration, Tel Aviv University	Until April 13, 2022, head of the Company's retail department
Shlomi Shamir	024843115	12-Feb-1970	01-Dec-2024	VP supply chain	No	Bachelor of Industrial Engineering and Management, Ariel University; digital marketing certification; director certification course; training in marketing and sales system management	VP sales Wissotzky group; deputy CEO and head of growth engines Wissotzky group; head of ProPlus in Tnuva
Reut Refaeli Cohen	066378878	29-Dec-1984	01-May-2024	VP human resources	No	Bachelor of social sciences – economics, business administration and human resources, Bar Ilan University; masters in business administration	VP human resources FreshMarket Ltd.

Additional Details on the Corporation as of December 31, 2024

Name	Identification number	Date of birth	Date of commencement of service	Position in the Company, a subsidiary of the Company or an interested party therein	Is he a family member of another senior officer or an interested party in the Company	Education	Employment in the last 5 years
						with specialization in organizational consulting and human resources, The College of Management	
Dafna Engelshtein	024571077	12-Jan-1970	09-May-2024	CIO	No	MBA with specialization in ventures, Kiryat Ono College; Bachelor in business administration, Kiryat Ono College	CIO Carrefour Israel; deputy CIO Shufersal Ltd.
Tom (Jacob) Yonei	065965717	22-Sep-1984	01-May-2024	VP Communications and Innovation	No	Bachelor in governance, Reichman University; masters in public policy, Reichman University; masters of law (not including legal scholars), Bar Ilan University	Family office manager
Shlomo Reuven	022255509	13-Feb-1966	10-Mar-2024	VP security	No	High school	Head of security department FreshMarket Ltd.
Doron Radulsko	017166075	08-Sep-1968	01-Sep-2024	VP construction and project	No	High school	Head of technical and construction department FreshMarket Ltd.; head of food storehouse chain
Shimon Chadad	024867640	16-Jan-1970	01-May-2023**	CEO of Shufersal Finance and director in Shufersal Travel Ltd.	No	Industrial engineering and management, Shenkar; directors course, John Bryce	Senior vice president, head of business clients division Isracard group

Additional Details on the Corporation as of December 31, 2024

Name	Identification number	Date of birth	Date of commencement of service	Position in the Company, a subsidiary of the Company or an interested party therein	Is he a family member of another senior officer or an interested party in the Company	Education	Employment in the last 5 years
Lior Laizer	027328962	23-Oct-1974	01-Apr-2024	CEO of Shufersal Business	No	Bachelor of Business Administration, College of Management	Deputy CEO WillyFood; VP sales, commerce and marketing Baladi
Ran Aharoni	028715092	03-Oct-1971	1-Jan-2025	CEO Yesh Hesed format		Bachelor of business administration, Open University	Head of technical division Shufersal Ltd.; deputy CEO Yesh Hesed format at Shufersal Ltd.; VP commerce and sales Ariel Bakery
Eitan Sayada	033572405	25-Oct-1976	13-Oct-2024	CEO of Be Pharm format	No	Industrial engineering and management, The College of Management	Deputy CEO Be Pharm format; head of commerce and sales division Sano; head of strategic clients commerce Sano
Levi Steinbaum**	005418315	07-Mar-1958	01-Oct-1997	Internal auditor of the Company and subsidiaries	No	CIA (Certified Internal Auditor certificate from the US Institute of Internal Auditors), Bachelor of Economy, Statistics and Accounting, Tel Aviv University, certificate studies in internal audits, Technion's branch in Tel Aviv	Internal Auditor of the Company
Yaniv Vitas	021754312	11-Sep-1983	01-Aug-2024	Head of accounting department	No	Bachelor of logistics and economics plus accounting studies, Bar Ilan University; certified public accountant	Foot Locker Retailors JV of Fox Group; head of financial reporting at Egged Transportation Company Ltd.

Additional Details on the Corporation as of December 31, 2024

Name	Identification number	Date of birth	Date of commencement of service	Position in the Company, a subsidiary of the Company or an interested party therein	Is he a family member of another senior officer or an interested party in the Company	Education	Employment in the last 5 years
Amichay Finkelstein	027268119	22-Mar-1974	01-Sep-2024	CEO Shufersal Real Estate Ltd.	No	Bachelor with a major in law and a minor in economics, Bar Ilan University; MBA with specialization in financing, Bar Ilan University	VP regulations general counsel Phoenix Investment House; head of capital markets department and partner at Amit, Pollak, Matalon & Co.

* The date stated as the date of the commencement of service is the date on which the officer was deemed a senior officer (it should be noted that the foregoing officers worked at the Company prior to said date)

** It should be noted that on February 27, 2025, the Company's board of director appointed Mr. Yossi Ginossar as the Company's internal auditor, starting April 1, 2025, instead of Mr. Levi Steinbaum who is expected to resign on March 31, 2025.

Regulation 26B: Independent authorized signatories

None.

Regulation 27: The Corporation's auditor

The Company's auditors are PwC Israel, address: 146 Menachem Begin Road, Tel Aviv.

Regulation 28: Changes in the memorandum or regulations

None.

Regulation 29: Recommendations and resolutions of the directors and resolutions of the general meeting

(a) Regulation 29(a) –

The board's recommendations to the general meeting and resolutions of the board that do not require the general meeting's approval regarding:

1. Dividend distribution –
 - a. On March 26, 2024, the Company's board of directors resolved the distribution of dividends in total amount of ILS 180 million for all shareholders of the Company on the effective date (as of April 4, 2024), the payment date being May 1, 2024.
 - b. On March 25, 2025, the Company's board of directors resolved to distribute dividends totaling ILS 360 million to all Company shareholders on the effective date (as of April 9, 2025), the payment date being May 6, 2025.
2. Change to the Company's issued and paid up share capital –
 - a. On May 27, 2024, the Company's board of directors, following the approval of the Company's remuneration committee, and subject to the terms of the Company's capital remuneration plan, resolved to allocate unlisted options and restricted share units (RSUs) to officers, as follows: 391,676 unlisted options convertible into up to 391,676 ordinary shares of the Company par value ILS 0.10 each, as well as 64,094 unlisted RSUs automatically convertible into up to 64,094 ordinary shares.

(b) Regulation 29(b) – None.

(c) Regulation 29(c) – Resolutions of an extraordinary general meeting:

1. On January 22, 2024, the general meeting of the Company shareholders resolved to appoint the accounting firm EY as the Company's auditors, starting from the publication date of the Company's financial statements as of December 31, 2023 (audited by the Company's current auditor), and until the end of the following annual general meeting of the Company. For more information see the convening report dated December 25, 2023 (reference number: 2023-01-140766) and the current report on the meeting's results dated January 22, 2024 (reference number: 2024-01-009321), which are hereby included by way of reference.
2. On April 11, 2024, the general meeting of Company shareholders resolved to postpone the date the Company's auditors are replaced as stated above, in a manner that the Company's current auditors will continue in their role until September 30, 2024, and carry out the auditing work of the financial statements of both Q1 and Q2 of 2024, while the appointment of the accounting firm EY as the Company's auditors will take effect on October 1, 2024, so that EY will perform the auditing work for the financial statements of Q3 of 2024. For more information see the convening report dated March 19, 2024 (reference number: 2024-01-023623) and the current report on the results of the meeting dated April 11, 2024 (reference number: 2024-01-042087), which are hereby included by way of reference.
3. On July 28, 2024, the general meeting of Company shareholders resolved: (a) to grant letters of indemnity and release to Messrs. Yosef and Shlomo Amir, for a three-year period; (b) to appoint CPA Iris Shapira Yalon as external director of the Company for a second term of three years,

starting on July 21, 2024; (c) not to approve the resignation agreements for the former chairman of the board, Mr. Aberkohen, and for the former Company CEO, Mr. Uri Vetterman. For more details see the (amended) report on convening the meeting dated July 15, 2024 (reference number: 2024-01-072963) and the current report on the meeting results dated July 28, 2024 (reference number: 2024-01-077208), which is hereby included by way of reference.

4. On September 1, 2024, the general meeting of the Company's shareholders resolved to withdraw the decision to replace the Company's auditor (pursuant to the resolution of the general meeting convened on January 22, 2024, and April 11, 2024) and to approve the reappointment of the accounting firm Kesselman & Kesselman (PwC) as the Company's auditor, until the end of the following annual general meeting of the Company. For more information see the report on convening the meeting dated July 17, 2024 (reference number: 2024-01-073977) and the current report on the meeting's results dated September 1, 2024 (reference number: 2024-01-097399), which are hereby included by way of reference.
5. On November 3, 2024, the general meeting of the Company's shareholders resolved to approve the terms of office and employment of Messrs. Yosef and Shlomo Amir, as co-CEOs of the Company, for a three-year period. For more information see the (supplemental) report on convening the meeting dated November 3, 2024 (reference number: 2024-01-613455), which are hereby included by way of reference.

Regulation 29A: The Company's resolutions

1. Regulation 29A(1) – None.
2. Regulation 29A(2) – None.
3. Regulation 29A(3) – Transactions requiring special approvals under section 270(1) of the Companies Law, provided it is an extraordinary transaction as defined in the Companies Law – None.
4. Regulation 29A(4) –
 - a. Indemnity and release undertaking: For details in connection with indemnity and release for directors and officers of the Company, see Regulation 29(c) above and Note 32 to the financial statements.
 - b. Insurance: For details in connection with directors' and officers' insurance, see Note 32 to the financial statements and the Company's current report dated September 26, 2024 (reference number: 2024-01-606296).

Date: March 25, 2025

Shufersal Ltd.

Annex A to Part D of the Periodic Report

Letter of Consent from the Auditor



March 25, 2025

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 March 25, 2025, on the Company’s consolidated financial statements as of December 31, 2024 and 2023, and for each of the three years in the period ended on December 31, 2024.
2. The auditor’s report dated March 25, 2025, on the audit of components of internal control over financial reporting as of December 31, 2024.
3. The auditor’s special report dated March 25, 2025, on the Company’s separate financial information as of December 31, 2024 and 2023, and for each of the three years in the period ended on December 31, 2024, under Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) , 5730-1970.

Respectfully,

Kesselman & Kesselman
Certified Public Accountants

Part E

Report on the effectiveness of internal control over financial reporting and disclosure for 2024

2024

Annual Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for 2024

Annual Report on Effectiveness of Internal Control over Financial Reporting and Disclosure Pursuant to Regulation 9b(a) 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. Ella Berin, VP Commerce;
7. Aaron Kaufman, VP, Legal Advisor;
8. Eran Sela, VP of Operations and Sales;
9. Dafna Engelshtein, VP of Information;
10. Shlomi Shamir, VP of Supply Chain;
11. Shlomo Reuven, VP Security;
12. Amichay Finkelstein, CEO Shufersal Real Estate;
13. Ran Aharoni, CEO “Yesh Chesed”;
14. Tom Yonai, VP of Communication and Innovation;
15. Shimon Hadad, CEO Finance;
16. Doron Radulsko, Construction and Projects;
17. Lior Laser, CEO Business;
18. Reut Refaeli Cohen, VP of Human Resources;
19. Eitan Sayada, CEO “Be Pharm”.

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.

Because of 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.

Management, under the supervision of the Company's Board of Directors, performed an examination and evaluation of internal control over financial reporting and disclosure and its effectiveness in the Company.

The evaluation of the effectiveness of internal control over financial reporting and disclosure as performed by Management under the governance of the Company's Board of Directors included:

Mapping and identifying the accounts and business processes that have been determined as very material to financial reporting and disclosure; and testing key controls and examining effectiveness of the controls. The internal control components included controls on processes for closing the accounting period, compiling and preparing the financial statements and disclosures, entity level controls, general information technology controls, including the IT environment, and controls in business processes: revenues, purchases, inventory and payroll.

Based on the evaluation of effectiveness that was performed by Management under the supervision of the Board of Directors as described above, the Board of Directors and Management of the Company have concluded that the Company's internal control over financial reporting and disclosure as of December 31, 2024 is effective.

Officers' Certification

Certification of Chief Executive Officer

Pursuant to Regulation 9b(d)(1) of Securities Regulations (Periodic and Immediate Reports) – 1970:

I, Shlomo Amir, certify that:

1. I have reviewed the periodic report of Shufersal Ltd. (hereinafter – "**the Company**") for 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 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 evaluated the effectiveness of internal control over financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and of Management about the effectiveness of internal control as at the date of the financial statements.

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

March 25, 2025

Shlomo Amir
Co-CEO

Officers' Certification

Certification of Chief Executive Officer

Pursuant to Regulation 9b(d)(1) of Securities Regulations (Periodic and Immediate Reports) – 1970:

I, Yosef Amir, certify that:

1. I have reviewed the periodic report of Shufersal Ltd. (hereinafter – "**the Company**") for 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 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 evaluated the effectiveness of internal control over financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and of Management about the effectiveness of internal control as at the date of the financial statements.

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

March 25, 2025

Yosef Amir
Co-CEO

Officers' Certification

Certification of Most Senior Financial Officer

Pursuant to Regulation 9b(d)(2) of Securities Regulations (Periodic and Immediate Reports) – 1970:

I, Gil Weiss, certify that:

1. I have reviewed the financial statements and other financial information included in the reports of Shufersal Ltd. (hereinafter – **the Company**) for 2024 (hereinafter – **the reports**);
2. Based on my knowledge, the financial statements and other financial information included in 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 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 evaluated the effectiveness of internal control over financial reporting and disclosure, to the extent it relates to the financial statements and other financial information included in the reports; My conclusions regarding my aforesaid evaluation have been presented to the Board of Directors and Management and are combined in this report.

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

March 25, 2025

Gil Weiss
CFO

