

Shufersal Group

THE RETAIL OF THE FUTURE IN THE DIGITAL ERA

Report for the second quarter of 2021



Shufersal Ltd
**Report for the
second quarter of 2021**

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Introduction



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

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

GROUP

Core activity

Discount format



Urban format



Growth engines



Anchors



Additional activities



H1 2021 IN A GLANCE

Shufersal Group



7.4 NIS B
Income



785 NIS M
EBITDA



-2.9%
Growth in Same store sales



539 K sq.m.
Commercial space



approx. 6.9 NIS B
Current market value
(July 2021)



AA-
Credit Rating



approx. 16.3
Thousands of employees



approx. 689 NIS M
Capital Raising (net issue)



3.0 NIS B
Equity



1.9 NIS B
Net Debt

Retail



301

Stores nation wide



27.6 K NIS

Sales per sq.m.
(LTM)



20.6%

Online Share



26.8%

Private Label share

Real Estate



approx. **2.6** NIS B
Fair value of assets

Finance



652 Thousands
New credit card holders

Be



89
Stores nation wide
(include bela store)



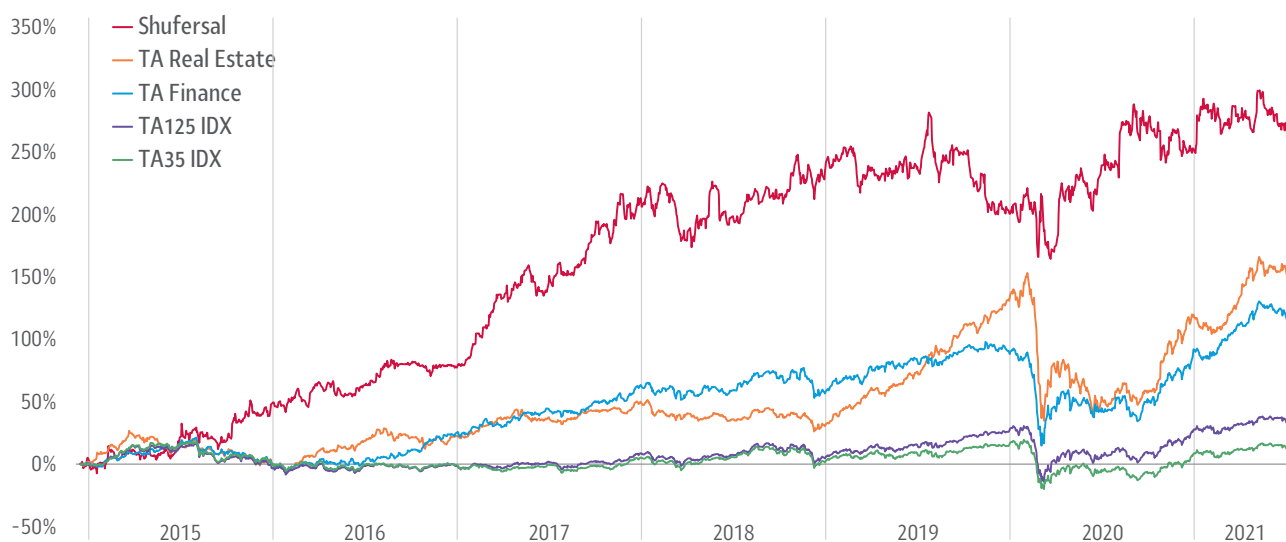
3
New stores in 2021

SHUFERSAL BY THE NUMBERS

Consolidated profit and loss (Millions NIS)

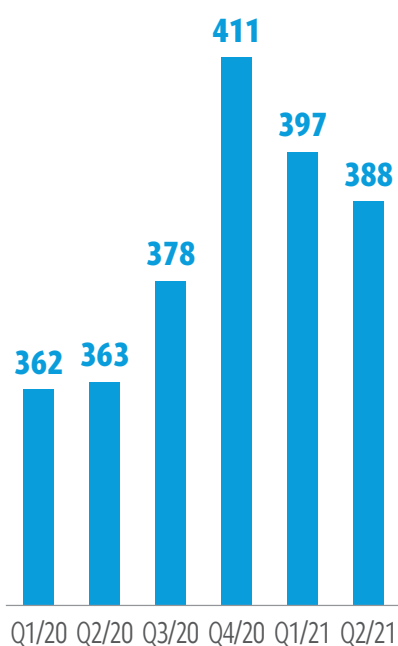
	Q2/2021	Q2/2020	Change %	H1/2021	H1/2020	Change %
Revenue	3,587	3,689	-2.8%	7,351	7,420	-0.9%
Gross profit	1,004	968	4%	2,022	1,967	3%
% Gross profit	28.0%	26.2%	1.8%	27.5%	26.5%	1.0%
Operating profit (Before other income and expenses)	183	165	11%	381	336	13%
% Operating profit (Before other income and expenses)	5.1%	4.5%	0.6%	5.2%	4.5%	0.7%
Operating profit (After other income and expenses)	184	169	9%	382	339	13%
% Operating profit (After other income and expenses)	5.1%	4.6%	0.5%	5.2%	4.6%	0.6%
Net profit	97	80	21%	211	170	24%
% Net profit	2.7%	2.2%	0.5%	2.9%	2.3%	0.6%
EBITDA	388	363	7%	785	725	8%
EBITDA %	10.8%	9.8%	1%	10.7%	9.8%	0.9%

Shufersal stock vs. leading market indices (% change)

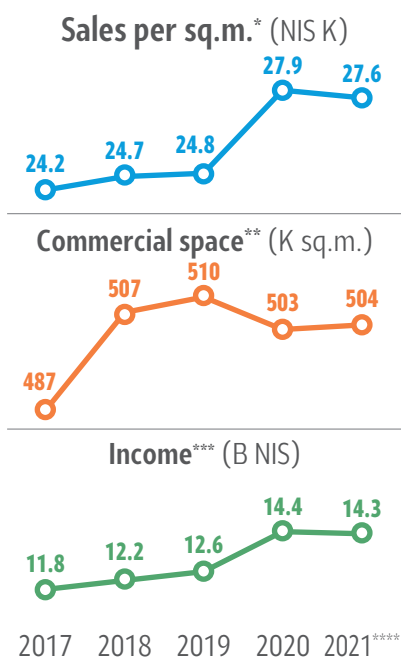




EBITDA (Millions NIS)



sales, commercial space & income



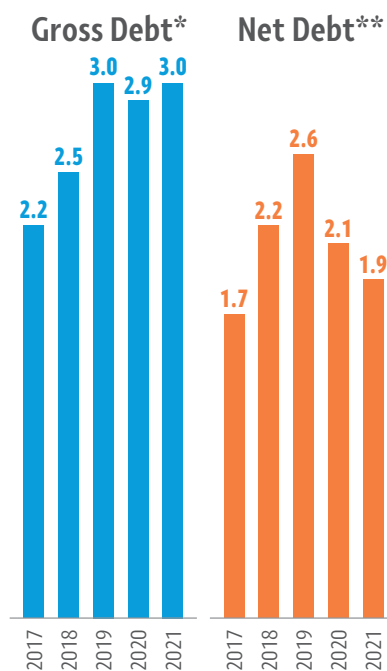
* Shufersal stores

** Shufersal stores excluding manual Online shipping centers

*** Retail segment

**** LTM

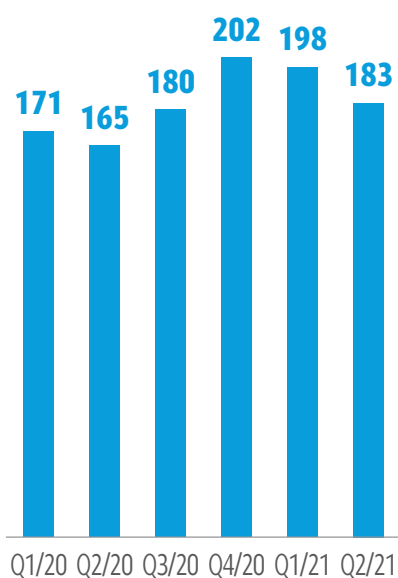
Debt* (Billions NIS)



* Liabilities to banking corporations, debentures, including interest payable

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

Consolidated Operating Profit (Millions NIS)



Segments (Millions NIS)

		 Retail	 Real Estate	 Be	Total
H1/21	Revenue	6,891	91	439	7,351
H1/20	Revenue	7,005	89	393	7,420
	Change	-114	2	46	-69
H1/21	Operating profit (Before other income and expenses)	280	76	3	381
H1/20	Operating profit (Before other income and expenses)	254	74	-14	336
	Change	26	2	17	45

GROWTH STRATEGY

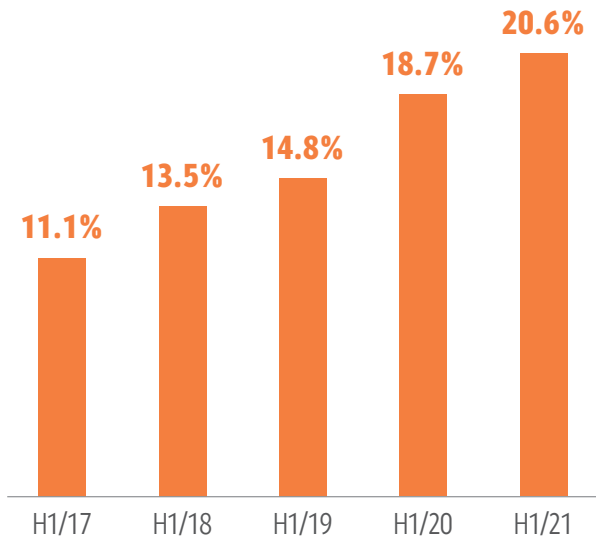




ONLINE AND DIGITAL

Online שופרסל

(% of total Sales)

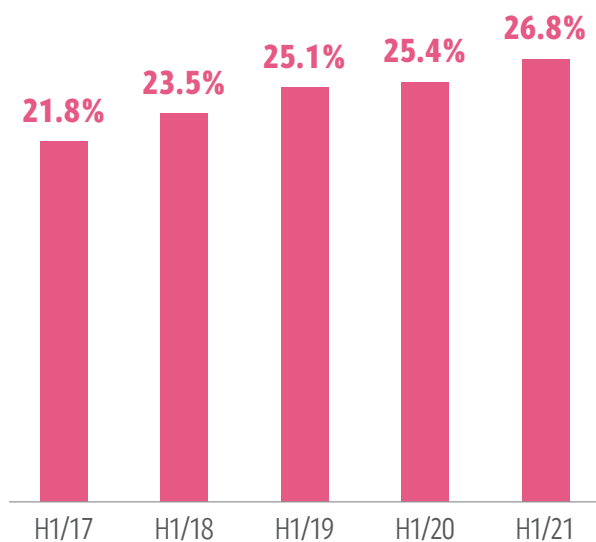


* Retail only



THE PRIVATE LABEL

(% of total Sales)



* Retail only



BOARD OF DIRECTORS AND MANAGEMENT

Members of the Shufersal Board of Directors

Yaki Vadmani | Chairman of the board

Michael Bar Haim*

Gideon Schurr

Eldad Avraham

Ayelet Ben Ezer

Ran Gottfried

Michal Kamir

Yoav Chelouche

Iris Shapira Yalon**

Shufersal management

Itzik Abercohen | CEO

Nir Matosevich | Deputy CEO & Director of Trade and Marketing

David Laron | Deputy CEO & Director of Operations and Supply Chain

Talya Huber | VP finance (CFO) & management Market risks responsible

Zvika Fishheimer | VP Human Resources, administration & Procurement

Sharon Gambasho | VP Properties and Development

Aran Meiri | VP, legal counsel

Zvi Baida | VP and CEO of Shufersal e-commerce

Shai Vardi | VP IT (CIO)***

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 753633

www.shufersal.co.il

Contact with shareholders

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30 Shmotkin Binyamin St., Rishon Lezion 750500

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doronf@shufersal.co.il

Investor Relations

Talya Huber, VP FINANCE (CFO)

Phone Number. 03-9481527 | fax. 03-9480921
talih@shufersal.co.il

* Ended his term as external director on July 20, 2021

** Her tenure as an external director began on July 21, 2021

*** Began his term of office on July 1, 2021

Part A

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

For the Six-Month Period
Ended June 30, 2021



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Shufersal Ltd.

We hereby submit the Directors' Report of Shufersal Ltd. (hereinafter – "**Shufersal**" or "**the Company**") for the six-month period ended June 30, 2021 (hereinafter – "**the reporting period**")¹, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

Shufersal together with its subsidiaries and associate companies are hereinafter called "**the Shufersal Group**" or "**the Group**".

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

1.1 Principal data regarding the business affairs of the Company

Shufersal is a retail group that owns the largest chain of supermarkets in Israel. The Group operates 390 branches throughout Israel, of which 301 are Shufersal branches and 89 are branches of Be² (hereinafter – "**Be**"). The Shufersal branches operate in several formats. The Group's total commercial space encompasses approximately 539 thousand square meters, of which 504 thousand square meters are Shufersal branches and 35 thousand square meters are Be branches. The Company also has 8 manual delivery centers³ encompassing 27 thousand square meters. The Group employs about 16.3 thousand employees (about 14.3 thousand calculated positions) and has annual revenues of about NIS 15 billion. The Company has no controlling shareholder.

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

The Company operates in three operating segments that are reported as business segments in the financial statements (per the definition of the term hereunder), the retail segment, the real estate segment and the Be segment.

For details regarding the aforesaid operating segments, see Note 6 to the condensed consolidated interim financial statements as of June 30, 2021 (hereinafter – "**the financial statements**").

1.1.2 Management's discussion of the principal results for the first half of 2021

For details on the management's review for 2020, see Paragraph 1.1.2 to the Board of Directors' report on the state of the Company's affairs as at December 31, 2020 ("**the 2020 directors' report**") as was reported on March 3, 2021 in the framework of the Company's periodic report for 2020 (reference no.: 2021-01-025789) ("**the periodic report**").

The Company's results for the first half of 2021 were affected by several principal matters:

- The effects of the coronavirus (COVID-19) (see Paragraph 1.1.4).
- Continued development of the Company's digital platforms, mainly the "Shufersal Online" system, which included continued construction of automated delivery centers in Modi'in and Kadima⁴ for this distribution channel. In the first half of the year, there was a significant increase in the sales of the retail segment through Shufersal Online, and they constituted about 20.6% of sales turnover in Shufersal branches (compared with 18.7% in the first half of 2020).
- Continued development and strengthening of the private label including launching products in existing and new categories. In the first half of the year the private label accounted for 26.8% of total retail sales in Shufersal branches, compared with 25.4% in the first half of last year.
- Continued development and growing the customer base of the Be chain, strengthening the private label, expansion of the chain and operational synergies including development of the digital platform.

¹ For purposes of this report, "the reporting date" or "the date of the report" is the date of the statement of financial position (June 30, 2021) unless stated otherwise or implied otherwise by the context of the matter.

² The branches of Be include one branch of Bela Online Ltd., a subsidiary (51%). In addition, during the first half of the year the 5 branches that had been temporarily closed because of the effect of the lockdown during the coronavirus crisis reopened.

³ Dedicated centers for the online marketing of products through the Company's website.

⁴ Further to that mentioned in paragraph 8.15 of the description of the entity's business in the periodic report for 2020, in the opinion of the Company commercial activity at the delivery center in Kadima will begin in the third quarter of 2021.

- Continued strengthening and expansion of the new customer loyalty credit card club. As at June 30, 2021, 652 thousand credit cards have been issued, compared with 604 thousand as at June 30, 2020.

1.1.3 Principal events that occurred during the reporting period

- A. On January 19, 2021, the Company signed a strategic collaboration agreement with Israel Discount Bank Ltd. (hereinafter – Discount Bank) for the creation of a digital wallet for customers of all banks that is based on the PayBox payment platform of Discount Bank. The collaboration will be executed in the framework of a company controlled by Discount Bank in which Shufersal holds about 49.9% of its issued share capital and voting rights. The transaction was completed on June 30, 2021.
- B. 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, the conditions precedent were fulfilled, the transaction was completed and control over the operation was transferred to the Company.
- C. On February 4, 2021, after receiving the approval of the compensation committee, the Company's board of directors approved the allotment of 413,753 stock options and 28,279 restricted performance share units (PSU) to the Company's Chairman of the Board who began his term on November 25, 2020. The allotment was approved by the general meeting of shareholders on March 18, 2021. In addition, 250,000 stock options and 22,454 restricted share units (RSU) were allotted to the new Executive VP and Head of Trade and Marketing who began his term in April 2021.
- D. On March 3, 2021, the Company's board of directors decided to distribute a dividend in the amount of NIS 140 million. The dividend was paid on May 3, 2021 to shareholders of record on April 18, 2021.
- E. On March 7, 2021 the Company issued to the public 27,000,000 ordinary shares of the Company of NIS 0.1 par value each for net proceeds of NIS 689 million (net of issuance expenses in the amount of NIS 13 million).

1.1.4 Disclosure regarding the coronavirus crisis

Further to that described in Paragraph 1.1.4 of the Board of Directors' Report for 2020 regarding the coronavirus crisis and its effects on the Company, in the first quarter of 2021 most of the population of Israel was vaccinated and in February 2021 the economy began to gradually open and rapidly return to a course of growth and normal business activity. In May 2021 the coronavirus restrictions were almost completely lifted.

In the reporting period, as a result of lifting the restrictions as aforesaid, private consumption that in the period of the crisis was mainly concentrated in the food sector and in retail activity defined as essential, expanded to the other service sectors that returned to activity such as hotels, restaurants and coffee shops, which reduced the positive effect of the coronavirus crisis on the sales of the retail segment compared with the corresponding period last year. In the reporting period and through the date of issuing this report the coronavirus crisis did not have a material effect on the other segments of the Company.

As at the date of this report, there is still uncertainty regarding the depth of the economic crisis, its continuation and its medium and long term effects, mainly in view of additional waves of infection following the spread of the different variants in Israel and the world and due to the uncertainty regarding the resistance of the vaccinations, and the damage to the economy and particularly to the labor market may be long-lasting.

1.2 Analysis of Results of Operations

In 2021, the eve of Passover was on March 27, as compared to 2020 in which the eve of Passover was on April 8. The effect of Passover is much smaller in the second quarter of this year than its effect in the corresponding quarter last year.

The timing of Passover is reflected in, inter alia, the effect on balance sheet items such as trade receivables, inventories, trade payables as well as sales and the intensity of special offers made in the second quarter of this year as compared to the corresponding quarter last year.

1.2.1 Analysis of the results for the three months ended June 30, 2021 as compared to the corresponding period last year

	Results of operations for the three months ended June 30, 2021		Results of operations for the three months ended June 30, 2020	
	Percent	NIS millions	Percent	NIS millions
Revenues		3,587		3,689
Gross profit	28%	1,004	26.2%	968
Selling, marketing, administrative and general expenses	22.9%	(821)	21.8%	(803)
<u>Operating profit before other income</u>	5.1%	183	4.5%	165
Other income, net		1		-
Increase in fair value of investment property, net		-		4
<u>Operating profit after other income</u>	5.1%	184	4.6%	169
Financing expenses, net		(57)		(60)
Share of profits (losses) of equity accounted investee		1		(4)
<u>Profit before taxes on income</u>		128		105
Taxes on income		(31)		(25)
<u>Profit for the period</u>		97		80

Retail segment revenues amounted to NIS 3,354 million in the second quarter of the year, compared with NIS 3,485 million in the corresponding quarter last year, a decrease of 3.8% that is mainly due to the weakening of the effect of the coronavirus crisis, the effect of seasonality and on the other hand expansion of the institutional market activity. The sales of the Company's stores decreased by a rate of 5.1% in the second quarter of the year as compared with the corresponding quarter last year. The difference between the decrease in the Company's revenues and the decrease in the Company's sales is mainly attributed to the increase in the institutional market activity. Same store⁵ sales decreased by 5.4% in the second quarter of this year compared with the corresponding quarter last year. The sales per square meter⁶ amounted to NIS 6,437 in the second quarter of the year, compared with NIS 6,721 in the corresponding quarter last year, a decrease of 4.2% that is mainly due to the aforesaid.

⁵ Same store sales – gross sales of stores that were active in the corresponding periods of the two compared years.

⁶ The areas of the new branches are calculated proportionately from the date the branch was opened. The area of the branch is the gross area including selling areas and other operating areas.

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Real estate segment revenues amounted to NIS 45 million in the second quarter of the year, like the corresponding quarter last year.

Revenues from the Be segment amounted to NIS 223 million in the second quarter of the year, compared with NIS 192 million in the corresponding quarter last year, an increase of 16.1% that is mainly due to the opening of the economy, the opening of new stores and an increase in same-store sales. Same-store sales of Be stores⁷ increased by 7.8% compared with the corresponding quarter last year. The sales per square meter⁸ of Be stores amounted to NIS 5,989 in the second quarter of the year, compared with NIS 5,901 in the corresponding quarter last year, an increase of 1.5% that is due to the change in the sales mix and the effect of the coronavirus crisis.

The Group's revenues amounted to NIS 3,587 million in the second quarter of the year, compared with NIS 3,689 million in the corresponding quarter last year, a decrease of 2.8% that is due to the aforesaid. The Group's same store sales⁷ increased by 5.2% in the second quarter of the year, compared with the corresponding quarter last year.

Gross profit amounted to NIS 1,004 million in the second quarter of the year, compared with NIS 968 million in the corresponding quarter last year, an increase of NIS 36 million. The increase in gross profit is due to the timing of the Passover holiday, an improvement in trade terms and an improvement in operating efficiency. The gross profit rate is 28% of revenues, compared with 26.2% in the corresponding quarter last year. The increase in the gross profit rate is due to the aforesaid.

Selling, marketing, administrative and general expenses amounted to NIS 821 million in the second quarter of the year, compared with NIS 803 million in the corresponding quarter last year. The ratio of expenses to revenues is 22.9% compared with 21.8% in the corresponding quarter last year. The increase in expenses is mainly due to the increase in the Group's activity. The increase in the ratio of expenses to revenues is due to the ratio of the increase in expenses to the decrease in revenues.

The operating profit before other income (expenses) in the retail segment amounted to NIS 133 million in the second quarter of the year, a rate of 4% of revenues, compared with NIS 125 million and a rate of 3.6% of revenues in the corresponding quarter last year, an increase of NIS 8 million that is due to the aforesaid.

The operating profit before other income (expenses) in the real estate segment amounted to NIS 37 million in the second quarter of the year like in the corresponding quarter last year.

The operating profit before other income (expenses) in the Be segment amounted to NIS 2 million in the second quarter of the year, compared with a loss of NIS 6 million in the corresponding quarter last year. The transition to profit is due to the increase in revenues, improving operating efficiency and deepening the operating synergy with the Company.

The Group's operating profit after other income (expenses) amounted to NIS 184 million in the second quarter of the year and a rate of 5.1% of revenues, compared with NIS 169 million and a rate of 4.6% of revenues in the corresponding quarter last year, an increase of NIS 15 million that is mainly due to the aforesaid.

The operating profit before other income (expenses), depreciation and amortization (EBITDA) amounted to NIS 388 million and a rate of 10.8% of revenues in the second quarter of the year, compared with NIS 363 million and a rate of 9.8% of revenues in the corresponding quarter last year. The increase is mainly due to the increase in the operating profit.

⁷ Same store sales – gross sales of stores that were active in the corresponding periods of the two compared years.

⁸ The areas of the new branches are calculated proportionately from the date the branch was opened. The area of the branch is the gross area including selling areas and other operating areas.

Board of Directors' Report on the State of the Company's Affairs for the Six-Month Period Ended June 30, 2021
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Financing expenses net, amounted to NIS 57 million in the second quarter of the year, compared with NIS 60 million in the corresponding quarter last year.

Tax expenses amounted to NIS 31 million in the second quarter of the year, compared with NIS 25 million in the corresponding quarter last year, an increase that is mainly due to the increase in profit for the period.

Profit for the period amounted to NIS 97 million in the second quarter of the year, compared with NIS 80 million in the corresponding quarter last year, an increase that is due to the aforesaid.

The Company's basic and diluted earnings per share amounted to NIS 0.36 in the second quarter of the year, compared with NIS 0.34 in the corresponding quarter last year.

1.2.2 Analysis of the results for the six months ended June 30, 2021 as compared to the corresponding period last year

	Results of operations for the six months ended June 30, 2021		Results of operations for the six months ended June 30, 2020	
	Percent	NIS millions	Percent	NIS millions
Revenues		7,351		7,420
Gross profit	27.5%	2,022	26.5%	1,967
Selling, marketing, administrative and general expenses	22.3%	(1,641)	22.0%	(1,631)
<u>Operating profit before other income (expenses)</u>	5.2%	381	4.5%	336
Other income (expenses), net				
Increase in fair value		1		(1)
of investment property, net		-		4
<u>Operating profit after other income (expenses)</u>	5.2%	382	4.6%	339
Financing expenses, net		(106)		(110)
Share of profits (losses) of equity accounted investee		1		(6)
<u>Profit before taxes on income</u>		277		223
Taxes on income		(66)		(53)
<u>Profit for the period</u>		211		170

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Retail segment revenues amounted to NIS 6,891 million in the first half of the year, compared with NIS 7,005 million in the corresponding half last year, a decrease of 1.6% that is due to the weakening of the effect of coronavirus crisis. The sales of the Company's stores decreased by 2.8% in the first half of the year as compared with the corresponding half last year. The difference between the decrease in the Company's revenues and the decrease in the Company's sales is mainly attributed to the increase in the institutional market activity. Same store⁹ sales decreased by 3% in the first half of the year compared with the corresponding half last year. The sales per square meter¹⁰ amounted to NIS 13,314 in the first half of the year, compared with NIS 13,635 in the corresponding half last year, a decrease of 2.4% that is due to the aforesaid.

Real estate segment revenues amounted to NIS 91 million in the first half of the year, compared with NIS 89 million in the corresponding half last year.

Revenues from the Be segment amounted to NIS 439 million in the first half of the year, compared with NIS 393 million in the corresponding half last year, an increase of 11.7% that is mainly due to the opening of new stores, the increase in the online activity and an increase in same-store sales. Same store sales of Be stores¹¹ increased by 4.3% compared with the corresponding period last year. The sales per square meter¹² of Be stores amounted to NIS 11,902 in the first half of the year, compared with NIS 12,246 in the corresponding period last year, a decrease of 2.8% that is mainly due to the effect of the coronavirus crisis in the first quarter.

The Group's revenues amounted to NIS 7,351 million in the first half of the year, compared with NIS 7,420 million in the corresponding half last year, a decrease of 0.9% that is due to the aforesaid. The Group's same store sales¹⁰ decreased by 2.9% in the first half of the year compared with the corresponding half last year.

Gross profit amounted to NIS 2,022 million in the first half of the year, compared with NIS 1,967 million in the corresponding half last year, an increase of NIS 55 million. The increase in gross profit is due to an improvement in trade terms and in operating efficiency. The gross profit rate is 27.5% of revenues, compared with 26.5% in the corresponding half last year. The increase in the gross profit rate is due to the aforesaid.

Selling, marketing, administrative and general expenses amounted to NIS 1,641 million in the first half of the year, compared with NIS 1,631 million in the corresponding half last year. The ratio of expenses to revenues was 22.3% compared with 22.0% in the corresponding half last year.

The operating profit before other income (expenses) in the retail segment amounted to NIS 280 million in the first half of the year, a rate of 4.1% of revenues, compared with NIS 254 million and a rate of 3.6% of revenues in the corresponding half last year, an increase of NIS 26 million that is due to the aforesaid.

The operating profit before other income (expenses) in the real estate segment amounted to NIS 76 million in the first half of the year, compared with NIS 74 million in the corresponding half last year.

The operating profit before other income (expenses) in the Be segment amounted to NIS 3 million in the first half of the year, compared with NIS 14 million in the corresponding half last year. The transition to profit is due to the increase in revenues, improving operating efficiency and deepening the operating synergy with the Company.

⁹ Same store sales – gross sales of stores that were active in the corresponding periods of the two compared years.

¹⁰ The areas of the new branches are calculated proportionately from the date the branch was opened. The area of the branch is the gross area including selling areas and other operating areas. The sales per square meter include the Marketplace sales, meaning on the expanded shopping site for online selling of non-food products.

¹¹ Same store sales – gross sales of stores that were active in the corresponding periods of the two compared years.

¹² The areas of the new branches are calculated proportionately from the date the branch was opened. The area of the branch is the gross area including selling areas and other operating areas. The sales per square meter include the Marketplace sales, meaning on the expanded shopping site for online selling of non-food products.

Shufersal Ltd.

The Group's operating profit after other income (expenses) amounted to NIS 382 million in the first half of the year and a rate of 5.2% of revenues, compared with NIS 339 million and a rate of 4.6% of revenues in the corresponding half last year, an increase of NIS 43 million that is mainly due to the aforesaid.

The operating profit before other income (expenses), depreciation and amortization (EBITDA) amounted to NIS 785 million and a rate of 10.7% of revenues in the first half of the year, compared with NIS 725 million and a rate of 9.8% of revenues in the corresponding half last year. The increase is mainly due to the increase in the operating profit.

Financing expenses net, amounted to NIS 106 million in the first half of the year, compared with NIS 110 million in the corresponding half last year.

Tax expenses amounted to NIS 66 million in the first half of the year, compared with NIS 53 million in the corresponding half last year, an increase that is mainly due to the increase in profit for the period.

Profit for the period amounted to NIS 211 million in the first half of the year, compared with NIS 170 million in the corresponding half last year, an increase that is due to the aforesaid.

The Company's basic and diluted earnings per share amounted to NIS 0.83 in the first half of the year, compared with NIS 0.71 in the corresponding half last year.

1.3 Financial Position, Liquidity and Sources of Finance

1.3.1 Cash flow – Analysis of the results for the second quarter of 2021 as compared to the corresponding quarter last year

Cash flow from operating activities

Net cash from operating activities amounted to NIS 121 million in the second quarter of 2021, compared with NIS 236 million in the corresponding quarter last year. The decrease in cash flow from operating activities is mainly due to changes in working capital items and to seasonality and on the other hand an increase in the profit for the period (for more information see the consolidated 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 162 million in the second quarter of 2021, compared with NIS 344 million in the corresponding quarter last year. Cash used in investing activities in the second quarter of 2021 included mainly acquisition of property, plant and equipment in the amount of NIS 124 million.

The cash used in investing activities in the second quarter of 2020 included mainly acquisition of property, plant and equipment in the amount of NIS 116 million and an investment in deposits in the amount of NIS 200 million.

Cash flow used in financing activities

Net cash used in financing activities amounted to NIS 253 million in the second quarter of 2021, compared with net cash from financing activities in the amount of NIS 120 million in the corresponding quarter last year. The cash used in financing activities in the second quarter of 2021 included a dividend payment in the amount of NIS 140 million and repayment of lease liabilities in the amount of NIS 113 million.

The cash from in financing activities in the second quarter of 2020 included proceeds from the issuance of bonds in the amount of NIS 312 million and on the other hand repayment of lease liabilities in the amount of NIS 112 million and a dividend payment in the amount of NIS 80 million.

1.3.2 Cash flow – Analysis of the results for the first half of 2021 as compared to the corresponding half last year

Cash flow from operating activities

Net cash from operating activities amounted to NIS 615 million in the first half of 2021, compared with NIS 770 million in the corresponding half last year. The decrease in cash flow from operating activities is mainly due to changes in working capital items and on the other hand an increase in the profit for the period.

Cash flow used in investing activities

Net cash used in investing activities amounted to NIS 630 million in the first half of 2021, compared with NIS 265 million in the corresponding half last year. Cash used in investing activities in the first half of 2021 included mainly an investment in deposits in the amount of NIS 350 million and acquisition of property, plant and equipment in the amount of NIS 226 million. The cash used in investing activities in the first half of 2020 included mainly acquisition of property, plant and equipment in the amount of NIS 211 million.

Cash flow from financing activities

Net cash from financing activities amounted to NIS 302 million in the first half of 2021, compared with net cash used in financing activities in the amount of NIS 97 million in the corresponding half last year.

The cash from financing activities in the first half of 2021 included net proceeds from issuance of shares in the amount of NIS 689 million and on the other hand repayment of lease liabilities in the amount of NIS 230 million and a dividend payment in the amount of NIS 140 million.

The cash used in financing activities in the first half of 2020 included net proceeds from issuance of bonds in the amount of NIS 312 million and on the other hand repayment of lease liabilities in the amount of NIS 226 million, a dividend payment in the amount of NIS 80 million and repayment of credit from banks in the amount of NIS 93 million.

1.3.3 Liquid asset balances and financial ratios

As at the end of the second quarter of 2021, the net liquid assets (cash and cash equivalents, short-term deposits and marketable securities less credit from banks) amounted to NIS 1,117 million, compared with NIS 763 million in the corresponding quarter last year.

As at the end of 2020, net liquid assets amounted to NIS 880 million.

As at the end of the second quarter of 2021, the liabilities to the holders of bonds and to banks, including interest payable (hereinafter – “**the financial debt**”) amounted to NIS 3,004 million, compared with NIS 3,242 million in the corresponding quarter last year.

The ratio of the Company's financial debt to its total assets was approximately 21.4% at the end of the second quarter of 2021, compared with 25.8% in the corresponding quarter last year. Total financial debt at the end of 2020 amounted to NIS 2,949 million, and the ratio of financial debt to total assets was approximately 22.6% at that time

The Company's equity amounted to NIS 3,005 million as at the end of the second quarter of 2021, compared with NIS 1,999 million in the corresponding quarter last year. The increase is mainly due to an issuance of shares in the first half. The ratio of the Company's equity to its total assets was approximately 21.4% at the end of the second quarter of 2021, compared with 15.9% in the corresponding quarter last year.

As at the end of 2020 the Company's equity amounted to NIS 2,235 million and the ratio of the Company's equity to its total assets was approximately 17.2%.

1.3.4 Board of Directors' discussion of the Company's liquidity in view of the working capital deficit as at June 30, 2021

As at June 30, 2021, the Company has a working capital deficit (on a consolidated basis) of NIS 367 million, compared with a working capital deficit of NIS 646 million as at December 31, 2020 and a working capital deficit of NIS 540 million as at June 30, 2020, and it has a working capital deficit (on a stand-alone basis) as at June 30, 2021 of NIS 355 million, compared with a working capital deficit of NIS 612 million as at December 31, 2020 and of NIS 649 million as at June 30, 2020.

The decrease in the working capital deficit (on a consolidated and stand-alone basis) as at June 30, 2021 compared with June 30, 2020 is due to an issuance of shares for proceeds in the amount of NIS 689 million (net after issuance expenses), changes in working capital and on the other hand an investment of NIS 400 million in a long-term deposit. The Company ended the quarter with a positive cash flow from operating activities (see Paragraph 1.3.2 above).

As at the date of this report the Company has agreements with three banking institutions (with each one separately) to provide to the Company a guaranteed credit facility. The agreements are for periods ending in March 2023, in the total amount of NIS 300 million.

As at June 30, 2021 and the date of this report, these credit facilities have not yet been utilized.

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 as from the beginning of the reporting period, the Board of Directors decided that notwithstanding the working capital deficit as at June 30, 2021, the Company does not have a liquidity problem.

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 and an investment portfolio. It is noted that as at the issue date of this report, there is only a small number of liens of an insignificant amount on the assets of the Company and its subsidiaries.

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

2. Market Risk Exposure and Management

2.1 Company officer responsible for market risk management

The Company's CFO, Ms. Talya Huber, is responsible for the management of financial market risks in the Company.

2.2 Description of market risks

No material changes have occurred during the reporting period as regarding the exposure of the Company to market risks and the management thereof in relation to the Company's reports on this matter in the directors' report for 2020. Market risks include changes in the value of financial instruments that are caused by fluctuations in interest rates, the Consumer Price Index, foreign currency exchange rates and prices of securities.

2.2.1 Consumer Price Index risks

The Company 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 1.1 billion as at June 30, 2021 (compared with NIS 1.2 billion as at June 30, 2020), and in respect of CPI-linked payments in the annual amount of NIS 474 million.

As at June 30, 2021 the Company has swap transactions for exchanging CPI-linked NIS cash flows with fixed NIS cash flows in respect of the Company's Series F bonds. The amount of the hedging and hedged instruments is NIS 533 million. The transactions are accounted for as accounting hedges.

In the second quarter of 2021, the Company incurred financing income from these transactions in the amount of NIS 4.9 million, compared with financing expenses of NIS 3.8 million in the corresponding quarter last year.

2.2.2 Foreign currency risks

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

As at June 30, 2021, the Company has forward contracts on the rate of the dollar in the amount of US\$ 35.6 million for settlement until June 2022, cylinder transaction on the rate of the dollar in the amount of US\$ 2.5 million for settlement until March 2022, forward contracts on the rate of the euro in the amount of € 54.3 million for settlement until July 2022, and cylinder transactions on the rate of the euro in the amount of € 5 million for settlement until May 2022.

In the second quarter of 2021, the Company incurred financing expenses in the amount of NIS 2.6 million in respect of those contracts, compared with financing expenses in the amount of NIS 1.5 million in the corresponding quarter last year. The Company's exposure to currency risks is insignificant.

2.2.3 Interest risks

The Company is exposed to changes in interest rates on its short-term investments and deposits.

2.2.4 Israel capital market risks

As at the date of the statement of financial position, the Company's securities portfolio is comprised of held-to-maturity corporate bonds that are rated at least AA-. The exposure to changes in prices of securities in Israel is immaterial.

2.3 Linkage bases report

Presented below is the Company's linkage bases report as at June 30, 2021:

	June 30, 2021				
	Israeli currency		Foreign currency		
	Unlinked	Linked	Mainly dollar	Other items	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
<u>Current assets:</u>					
Cash and cash equivalents	763	-	4	-	767
Short-term deposits	350	-	-	-	350
Trade receivables	1,449	-	-	-	1,449
Other receivables	61	21	-	69	151
Other investments	7	5	-	-	12
Inventories	-	-	-	945	945
<u>Non-current assets:</u>					
Other receivables	6	76	-	-	82
Long-term deposit	400	-	-	-	400
Investment in associates	37	-	-	131	168
Loan to associate	28	-	-	-	28
Other investments	39	30	-	16	85
Investment property	-	-	-	801	801
Property, plant and equipment	-	-	-	3,247	3,247
Right-of-use asset	-	-	-	4,047	4,047
Intangible assets and deferred expenses	-	-	-	1,359	1,359
Deferred taxes	-	-	-	125	125
	3,140	132	4	10,740	14,016
<u>Current liabilities:</u>					
Current maturities of bonds	166	165	-	-	331
Current maturities of lease liability	1	373	1	-	375
Trade payables	2,097	-	81	-	2,178
Other payables	495	7	4	592	1,098
Provisions	59	-	-	-	59
<u>Non-current liabilities:</u>					
Bonds	1,717	956	-	-	2,673
Lease liability	5	3,726	5	-	3,736
Employee benefits, net	283	-	-	-	283
Other liabilities	11	-	-	128	139
Deferred taxes	-	-	-	139	139
Equity	-	-	-	3,005	3,005
	4,834	5,227	91	3,864	14,016
Net exposure (*)	(1,694)	(5,095)	(87)	6,876	-

(*) The net exposure does not include off-balance sheet liabilities.

2.4 Sensitivity tests

No material changes have occurred in the sensitivity tests as presented in the periodic report.

3. Disclosure Directives Pertaining to the Financial Reporting of the Company

3.1 Disclosure regarding material events subsequent to the date of the statement of financial position

- For details regarding provisions for claims and legal proceedings against the Company subsequent to the date of the statement of financial position, see Note 7 to the financial statements.
- See Note 9 to the financial statements for information on events subsequent to the date of the statement of financial position.

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Shufersal Ltd.

4. Specific Disclosure for Holders of Bonds

Data as at June 30, 2021

Series	Date of issuance	Par value on date of issuance (NIS millions)	Proceeds on date of issuance net of issuance expenses (NIS millions)	Carrying amount (NIS millions)*	Balance of par value (NIS millions)	Balance of par value, including 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	274	266	269	6	318	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	260	252	252	9	304	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	339	320	320	12	386	Fixed	4.5%	5.09%	Oct. 8, 2017	Oct. 8, 2029	Annual interest on Oct. 8 of each year between 2017 and 2029	Unlinked
	Jan. 2018	476	568	412	357	357	13	430	Fixed	2.12%	5.09%	Oct. 8, 2018	Oct. 8, 2029	Annual interest on Oct. 8 of each year between 2018 and 2029	Unlinked

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Series	Date of issuance	Par value on date of issuance (NIS millions)	Proceeds on date of issuance net of issuance expenses (NIS millions)	Carrying amount (NIS millions)*	Balance of par value (NIS millions)	Balance of par value, including 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	293	282	285	9	350	Fixed	4.44%	4.3%	Oct. 8, 2020	Oct. 8, 2028	Annual interest on Oct. 8 of each year between 2016 and 2028	CPI
	Jul. 2016	601	**643	555	534	542	17	664	Fixed	4.5 %	4.3%	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	558	555	555	7	634	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	313	300	300	4	342	Fixed	2.97%	3.52%	Feb. 20, 2022	Aug. 20, 2030	Semi-annual interest on Aug. 20 and Feb. 20 of each year between 2019-2030	Unlinked
		3,632	3,770	3,004	2,866	2,880	77	3,428							

* 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 Note 17 to the Company's consolidated financial statements as at December 31, 2017. The considerations above refer to the par value of Series B bonds exchanged in the purchase offer (including accrued interest).

Notes:

1. On February 20, 2021 the Company paid interest on the Series G bonds in the total amount of NIS 15 million.
2. 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).
3. 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 17 Yitzhak Sadeh St., Tel Aviv (tel. 03-6237777, fax. 03-5613824). The contact person at the trustee for the Series F bonds is Mr. Ori Lazer, CPA and Adv., e-mail: ori@slcpa.co.il. The trustee of the Series G bonds is Hermetic Trust (1975) Ltd., from 30 Sheshet Hayamim Road, Bnei Braq (tel: 03-5544553, fax. 03-5271736). The contact persons at the trustee for the Series G bonds are Ms. Merav Ofer-Oren and/or Mr. Dan Avnon, e-mail: hermetic@hermetic.co.il.
4. In the first half of 2021 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.
5. 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.
6. 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.
7. 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.

8. The Series D, E, F and G bonds include financial covenants. See Note 17 to the financial statements as at December 31, 2020, which are a part of the periodic report, for further details regarding the terms of the Company's Series D, E, F and G bonds, including a commitment to comply with financial covenants, a commitment to not create a current pledge, and restrictions relating to dividend distribution. Presented hereunder are the results of calculating the financial covenants committed to by the Company in accordance with the terms of the Series D, E, F and G bonds (and in accordance with the terms of the Company's credit facilities) as at June 30, 2021:

Financial covenant	Calculation results as at June 30, 2021
Ratio of net (financial) debt ¹³ to total balance sheet shall not exceed 60%	13.5%
The Company's total equity (including non-controlling interests) shall not fall below NIS 550 million (with respect to Series D, E and F bonds) and NIS 800 million (with respect to Series G bonds)	NIS 3,005 million

Presented hereunder are the results of calculating the dividend distribution restrictions that apply to the Company in accordance with the terms of the Series D, E, F and G bonds (and in accordance with the Company's credit facilities) as at June 30, 2021:

Restriction	Calculation results as at June 30, 2021
The Company's total equity (including non-controlling interests) shall not fall below NIS 750 million (with respect to Series D, E and F bonds) and NIS 1,000 million (with respect to Series G bonds)	NIS 3,005 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)	1.2

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

As at the reporting date 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 April 2020 and October 2019. For details regarding the rating affirmation of the Company and its bonds, see the Company's immediate report of October 6, 2019 (reference no. 2019-01-101776) and of April 5, 2020 (reference no. 2020-15-031228).

¹³ The net financial debt as defined in the terms of the bonds and credit facilities, does not take into account the balance of the long-term deposit in the amount of NIS 400 million that exists at the date of the financial statements. When taking that deposit into account, the ratio of net financial debt to total balance sheet and annual EBITDA is 10.6% and 0.9%, respectively.

10. 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 reporting date	
				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
Series E – Bonds listed for trade	Ma'alot	ilAA	ilA+ Negative	September 24, 2020 (affirmation of rating)	ilAA
				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

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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 reporting date	
				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
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

Quarterly 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 and dedicated work and their contribution to the Company.

Yaki Vadmani
Chairman of the Board of
Directors

Itzik Abercohen
CEO

August 11, 2021

Part B

Condensed Consolidated Interim Financial Statements

As at June 30, 2021
(Unaudited)



Condensed Consolidated Interim Financial Statements as at June 30, 2021 (Unaudited)

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Auditor's review report to the shareholders of Shufersal Ltd.

Introduction

We have reviewed the accompanying financial information of Shufersal Ltd and subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2021 and the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three- month periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting". In addition, they are responsible for the preparation of this interim financial information for these interim periods in accordance with chapter 4 of the provisions of the Securities Regulations (periodic and immediate reports 1970). Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of an equity accounted investee the investment in which amounted to NIS 61 million as at June 30, 2021, and the Company's share in its profits amounted to NIS 1 million for the six and three-month periods then ended, respectively. The condensed interim financial information of that company was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to the financial information of that company, is based solely on the said review reports of the other auditors.

Scope of review

We conducted our review in accordance with (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing principles generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

In addition to the previous paragraph, based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present, in all material respects, in accordance with chapter 4 of the provisions of the Securities Regulations (Periodic and immediate reports) 1970.

Haifa, Israel
August 11, 2021

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

Condensed Consolidated Interim Statements of Financial Position

	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	767	463	480
Short-term deposits	350	300	400
Trade receivables	1,449	1,433	1,494
Other receivables	151	167	137
Inventory	945	986	12
Other investments	12	12	939
Total current assets	3,674	3,361	3,462
Long-term deposits	400	-	-
Investment in associate companies	168	58	60
Loan to associate company	28	30	29
Receivables and debit balances	82	100	89
Other investments	85	96	87
Property, plant and equipment	3,247	3,140	3,186
Investment property	801	720	792
Intangible assets	1,359	1,323	1,335
Deferred taxes	125	122	133
Right-of-use assets	4,047	3,618	3,852
Total non-current assets	10,342	9,207	9,563
Total assets	14,016	12,568	13,025

Signed on behalf of the Board of Directors:

_____ Yaki Vadmani	Chairman of the Board of Directors
_____ Itzik Abercohen	Chief Executive Officer
_____ Talya Huber	Chief Financial Officer

Date of approval: August 11, 2021

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

Condensed Consolidated Interim Statements of Financial Position

	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Liabilities			
Current maturities in respect of bonds	331	320	267
Current maturities of lease liabilities	375	350	360
Trade payables	2,178	2,187	2,333
Other payables	1,098	994	1,090
Provisions	59	50	58
Total current liabilities	4,041	3,901	4,108
Bonds	2,673	2,922	2,682
Employee benefits, net	283	251	271
Other liabilities	139	54	49
Deferred taxes	139	138	136
Lease liabilities	3,736	3,303	3,544
Total non-current liabilities	6,970	6,668	6,682
Equity			
Share capital	245	242	242
Share premium	1,650	963	963
Reserves	55	6	40
Treasury shares	(85)	(85)	(85)
Retained earnings	1,141	874	1,076
Total equity attributable to owners of the Company	3,006	2,000	2,236
Non-controlling interests	(1)	(1)	(1)
Total equity	3,005	1,999	2,235
Total liabilities and equity	14,016	12,568	13,025

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

Condensed Consolidated Interim Statement of Income

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues	7,351	7,420	3,587	3,689	15,233
Cost of revenues	5,329	5,453	2,583	2,721	11,190
Gross profit	2,022	1,967	1,004	968	4,043
Selling and marketing expenses	1,519	1,506	759	743	3,067
General and administrative expenses	122	125	62	60	258
Total selling, marketing, general and administrative expenses	1,641	1,631	821	803	3,325
Operating profit before other income (expenses)	381	336	183	165	718
Increase in fair value of investment property, net	-	4	-	4	13
Other income (expenses), net	1	(1)	1	-	14
Total other income (expenses), net	1	3	1	4	27
Operating profit after other income (expenses)	382	339	184	169	745
Financing expenses	(121)	(122)	(66)	(66)	(245)
Financing income	15	12	9	6	13
Financing expenses, net	(106)	(110)	(57)	(60)	(232)
Share in profits (losses) of associate company	1	(6)	1	(4)	(4)
Profit before taxes on income	277	223	128	105	509
Taxes on income	(66)	(53)	(31)	(25)	(122)
Profit for the period	211	170	97	80	387
Profit (loss) attributable to:					
Owners of the Company	211	170	97	80	387
Non-controlling interests	*-	-	*-	-	*-
Profit for the period	211	170	97	80	387
Basic and diluted earnings per share (in NIS)	0.83	0.71	0.36	0.34	1.62

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statement of Comprehensive Income

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period	211	170	97	80	387
Other comprehensive income (loss) for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss					
Effective portion of the change in fair value of cash flow hedges	19	(14)	2	-	(10)
Net change in fair value included in cost of hedging reserve	*_	-	*_	-	*_
Taxes on other comprehensive income items that were initially recognized in comprehensive income and will be transferred to profit or loss	(4)	3	-	-	2
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	15	(11)	2	-	(8)
Other comprehensive income (loss) items that will not be transferred to profit or loss					
Remeasurement of defined benefit plan	(9)	-	(9)	(18)	(23)
Revaluation reserve for property, plant and equipment classified as investment property	-	-	-	-	40
Taxes on other comprehensive income items that will not be transferred to profit or loss	2	-	2	4	(4)
Total other comprehensive income (loss) for the period that will not be transferred to profit or loss, net of tax	(7)	-	(7)	(14)	13
Other comprehensive income (loss) for the period, net of tax	8	(11)	(5)	(14)	5
Total comprehensive income for the period	219	159	92	66	392

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statement of Comprehensive Income

	Six months ended		Three months ended		Year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Total comprehensive income (loss) attributable to:					
Owners of the Company	219	159	92	66	392
Non-controlling interests	*_	-	*_	-	*_
Total comprehensive income for the period	219	159	92	66	392

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statement of Changes in Equity

Attributable to owners of the Company

	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total	Non- controlling interests	Total equity
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the six months ended								
June 30, 2021 (unaudited)								
Balance as at January 1, 2021	242	963	40	(85)	1,076	2,236	(1)	2,235
Share based payment	-	-	-	-	2	2	-	2
Vesting of restricted shares granted to employees	*-	1	-	-	(1)	-	-	-
Dividends to shareholders	-	-	-	-	(140)	(140)	-	(140)
Issuance of shares (net of issuance expenses)	3	686	-	-	-	689	-	689
Profit for the period	-	-	-	-	211	211	*-	211
Other comprehensive income (loss) for the period, net of tax	-	-	15	-	(7)	8	*-	8
Balance as at June 30, 2021	245	1,650	55	(85)	1,141	3,006	(1)	3,005
For the six months ended								
June 30, 2020 (unaudited)								
Balance as at January 1, 2020	242	963	17	(85)	778	1,915	(1)	1,914
Share based payment	-	-	-	-	6	6	-	6
Exercise of employee options	*-	*-	-	-	-	*-	-	*-
Dividends to shareholders	-	-	-	-	(80)	(80)	-	(80)
Profit for the period	-	-	-	-	170	170	-	170
Other comprehensive loss for the period, net of tax	-	-	(11)	-	-	(11)	-	(11)
Balance as at June 30, 2020	242	963	6	(85)	874	2,000	(1)	1,999

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests NIS millions	Total equity 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		
For the three months ended								
June 30, 2021 (unaudited)								
Balance as at April 1, 2021	245	1,649	53	(85)	1,052	2,914	(1)	2,913
Share based payment	-	-	-	-	*_	*_	-	*_
Vesting of restricted shares granted to employees	*_	1	-	-	(1)	-	-	-
Profit for the period	-	-	-	-	97	97	*_	97
Other comprehensive income (loss) for the period, net of tax	-	-	2	-	(7)	(5)	*_	(5)
Balance as at June 30, 2021	<u>245</u>	<u>1,650</u>	<u>55</u>	<u>(85)</u>	<u>1,141</u>	<u>3,006</u>	<u>(1)</u>	<u>3,005</u>
For the three months ended								
June 30, 2020 (unaudited)								
Balance as at April 1, 2020	242	963	6	(85)	805	1,931	(1)	1,930
Share based payment	-	-	-	-	3	3	-	3
Exercise of employee options	*_	*_	-	-	-	*_	-	*_
Profit for the period	-	-	-	-	80	80	-	80
Other comprehensive loss for the period, net of tax	-	-	-	-	(14)	(14)	-	(14)
Balance as at June 30, 2020	<u>242</u>	<u>963</u>	<u>6</u>	<u>(85)</u>	<u>874</u>	<u>2,000</u>	<u>(1)</u>	<u>1,999</u>

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total		
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
For the year ended December 31, 2020 (audited)								
Balance as at January 1, 2020	242	963	17	(85)	778	1,915	(1)	1,914
Share based payment	-	-	-	-	9	9	-	9
Vesting of restricted shares granted to employees	*-	*-	-	-	-	*-	-	*-
Dividends to shareholders	-	-	-	-	(80)	(80)	-	(80)
Profit for the year	-	-	-	-	387	387	*-	387
Other comprehensive income (loss) for the year	-	-	23	-	(18)	5	-	5
Balance as at December 31, 2020	<u>242</u>	<u>963</u>	<u>40</u>	<u>(85)</u>	<u>1,076</u>	<u>2,236</u>	<u>(1)</u>	<u>2,235</u>

* Indicates an amount less than NIS 1 million.

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

Condensed Consolidated Interim Statement of Cash Flows

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from operating activities					
Profit for the period	211	170	97	80	387
Adjustments for:					
Depreciation of property, plant and equipment	185	181	92	93	370
Amortization of right-of-use assets	189	184	96	92	371
Amortization of intangible assets	30	23	17	12	55
Taxes on income included in income statements	66	53	31	25	122
Income taxes paid, net	(66)	(63)	(34)	(40)	(133)
Financing expenses, net	106	110	57	60	232
Share in losses (profits) of associate company	(1)	6	(1)	4	4
Change in fair value of investment property, net	-	(4)	-	(4)	(13)
Change in employee benefits	-	-	(1)	1	(5)
Loss on sale of property, plant and equipment	-	-	-	-	1
Share-based payment	2	6	-	3	9
Change in trade receivables	45	(133)	265	445	(193)
Change in other receivables	22	(3)	66	17	21
Change in inventory	-	(76)	54	83	(29)
Change in trade payables	(171)	142	(276)	(413)	294
Change in other payables, provisions and other	(3)	174	(342)	(222)	272
Net cash from operating activities	615	770	121	236	1,765

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

Condensed Consolidated Interim Statement of Cash Flows

	Six months ended		Three months ended		Year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows used in investing activities					
Purchase of property, plant and equipment	(226)	(211)	(124)	(116)	(459)
Proceeds from sale of property, plant and equipment	1	-	-	-	3
Investment in intangible assets	(35)	(41)	(20)	(20)	(87)
Business combinations, net of cash acquired*	(18)	-	(8)	-	-
Investment in investment property	(9)	(4)	(4)	(2)	(15)
Other long-term investments	(7)	(4)	(7)	-	(4)
Change in cash in respect of futures contracts, net	(1)	(8)	(1)	(6)	(6)
Realization of debt instruments at amortized cost, net	7	1	2	-	7
Repayment of long-term loans granted	-	-	-	-	2
Investment in deposits, net	(350)	-	-	(200)	(100)
Interest and dividend received	8	2	-	-	7
Net cash used in investing activities	(630)	(265)	(162)	(344)	(652)

* See Note 5.B hereunder.

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

Condensed Consolidated Interim Statement of Cash Flows

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from financing activities					
Short-term credit	-	(93)	-	-	(93)
Proceeds from issuance of bonds, net	-	312	-	312	312
Proceeds from issuance of shares (net of issuance expenses)	689	-	-	-	-
Repayment of bonds	-	-	-	-	(235)
Interest paid	(17)	(10)	-	-	(133)
Repayment of lease liabilities principal and interest	(230)	(226)	(113)	(112)	(450)
Dividend paid	(140)	(80)	(140)	(80)	(80)
Payments in respect of hedging transactions	-	-	-	-	(9)
Net cash from (used in) financing activities	302	(97)	(253)	120	(688)
Change in cash and cash equivalents	287	408	(294)	12	425
Cash and cash equivalents at the beginning of the period	480	55	1,061	451	55
Cash and cash equivalents at the end of the period	767	463	767	463	480

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

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 1 - General**The reporting entity**

Shufersal Ltd. (hereinafter – the “Company” and/or “Shufersal”) is an Israeli resident company incorporated in Israel. The address of the Company’s registered office is 30 Benjamin Shmotkin Street, Rishon Le-Zion. The condensed consolidated interim financial statements of the Group as at June 30, 2021 comprise the Company, its subsidiaries (hereinafter together – “the Group”) and the Company’s rights in an associate company and in joint arrangements. The Company is a company without a controlling shareholder, as the term “control” is defined in the Securities Law, 1968. The Group is involved in three areas of activity: [1] Retail activity – marketing and selling of food and other products, management of a customer loyalty program (also by means of managing a credit card loyalty program) and the manufacture of frozen and fresh baked products that are sold mainly in the Company’s branches, [2] Real estate activity (by means of Shufersal Real Estate Ltd., a wholly owned subsidiary of the Company) – upgrading and leasing out various types of real estate including commercial centers and other properties. The real estate activity includes also properties leased out to external parties and properties leased out to the Group and used in its operations; and [3] Be activity – marketing and selling pharmaceuticals, convenience and toiletry products, natural products and cosmetics by means of the Be chain which was merged with and into Shufersal on July 1, 2020. The securities of the Company are registered for trade on the Tel Aviv Stock Exchange.

Effects of the spreading of coronavirus

Further to that mentioned in Note 1.A to the annual financial statements regarding the coronavirus crisis and its effects on the Company, in the reporting period the net effect of the coronavirus crisis on the operating profit of the retail segment was positive mainly because of the increase in the demand for food. In February 2021 the economy began to gradually open and rapidly return to a course of growth and normal business activity and in May 2021 the coronavirus restrictions were almost completely lifted.

In the reporting period, as a result of lifting the restrictions as aforesaid, private consumption that in the period of the crisis was mainly concentrated in the food sector and in retail activity defined as essential, expanded to the other service sectors that returned to activity such as hotels, restaurants and coffee shops, and the positive effect of the coronavirus crisis on the sales of the retail segment compared with the corresponding period last year was reduced. In the reporting period and through the date of approval of the financial statements, the coronavirus crisis did not have a material effect on the other segments of the Company.

As at the date of approval of the financial statements, there is still uncertainty regarding the depth of the economic crisis, its continuation and its medium and long term effects, mainly in view of additional waves of infection following the spread of the different variants in Israel and the world and due to the uncertainty regarding the resistance of the vaccinations, and the damage to the economy and particularly to the labor market may be long-lasting.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements as at and for the year ended December 31, 2020 (hereinafter – "the annual financial statements"). Furthermore, these financial statements have been prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on August 11, 2021.

B. Use of estimates and judgments

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

The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty are consistent with those applied to the annual financial statements.

Note 3 - Significant Accounting Policies

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

Note 4 - Seasonality

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

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 5 - Material Events in the Reporting Period

- A.** On January 19, 2021, the Company signed a strategic collaboration agreement with Israel Discount Bank Ltd. (hereinafter – Discount Bank) for the creation of a digital wallet for customers of all banks that is based on the PayBox payment platform of Discount Bank. The collaboration will be executed 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 present format and the Company will on the other hand transfer 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 transaction was completed on June 30, 2021. The investment is accounted for on the Company's books on the equity basis and as at June 30, 2021 is estimated to be NIS 107 million, which was recognized against deferred income. As at the date of approval of the financial statements, allocation of the purchase costs has not yet been completed.
- B.** 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, 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. The acquisition agreement also includes put and call options on the balance of the shares (25%) of Shufersal Amiga. The consideration for acquisition of the operation (100%) amounted to NIS 23.5 million according to the holding rate. As at the date of approval of the financial statements, allocation of the purchase costs has not yet been completed.
- C.** On February 4, 2021, after receiving the approval of the compensation committee, the Company's board of directors approved the allotment of 413,753 stock options and 28,279 restricted performance share units (PSU) to the Company's Chairman of the Board who began his term on November 25, 2020, as well as the allotment of 250,000 stock options and 22,454 restricted share units (RSU) to the new Executive VP and Head of Trade and Marketing who began his term in April 2021. The allotment to the Chairman of the Board was approved by the general meeting of shareholders on March 18, 2021. The options and restricted share units 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 of the Ordinance. The options and restricted share units were granted for no consideration. The grant date value of the options and restricted share units was estimated at NIS 3 million and NIS 2 million for the Chairman of the Board and for the new Executive VP and Head of Trade and Marketing, respectively.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021
Note 5 - Material Events in the Reporting Period (cont'd)

C. (cont'd)

Allotment to the Chairman of the Board

Type of instrument	Terms of the instrument	Number of instruments (in thousands)	Vesting terms*	Contractual duration of the instrument*
Option warrants	Each option may be exercised for one ordinary share, NIS 0.1 par value, at an exercise price of NIS 27.92 (exercise price will be dividend-adjusted). Exercise of the option will be executed in shares in the “net exercise” format.	414	Will vest in 4 equal annual installments	4 years – first and second tranches 5 years – third tranche 6 years – fourth tranche
Restricted performance share units (PSU)	Each restricted share unit will be automatically realized for one ordinary share, NIS 0.1 par value, with no exercise fee, provided that the following two performance conditions are met: [a] Company’s total revenues (from all activities) in the last calendar year ending before the relevant vesting date (hereinafter – “measurement year”) are at least 90% of the Company’s revenues in the calendar year preceding the measurement year; and [b] the profit (after tax) attributed to the Company’s owners in the measurement year is at least NIS 240 million.	28	Will vest in 4 equal annual tranches	Restricted share units will be realized automatically on the relevant vesting date (provided that the performance conditions are met)

*Commencing from date of board of directors’ approval, February 4, 2021.

Allotment to the Executive VP and Head of Trade and Marketing

Type of instrument	Terms of the instrument	Number of instruments (in thousands)	Vesting terms*	Contractual duration of the instrument*
Option warrants	Each option may be exercised for one ordinary share, NIS 0.1 par value, at an exercise price of NIS 27.92 (exercise price will be dividend-adjusted). Exercise of the option will be executed in shares in the “net exercise” format.	250	Will vest in 3 equal annual installments	4 years – first and second tranches 5 years – third tranche
Restricted share units (RSU)	Each restricted share unit will be automatically realized for one ordinary share, NIS 0.1 par value, with no exercise fee.	22	Will vest in 3 equal annual tranches	Restricted share units will be realized automatically on the relevant vesting date.

*Commencing from the first date of work, April 5, 2021.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

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

C. (cont'd)

See Note 9 hereunder for details regarding the equity compensation of the Company's new Executive VP of Information Technology that was granted on July 1, 2021.

D. On March 3, 2021, the Company's board of directors decided to distribute a dividend in the amount of NIS 140 million. The dividend was paid on May 3, 2021 to shareholders of record on April 18, 2021.

E. On March 7, 2021 the Company issued to the public 27,000,000 ordinary shares of the Company of NIS 0.1 par value each for net proceeds of NIS 689 million (net of issuance expenses in the amount of NIS 13 million).

F. See Note 7 hereunder for updates on material developments in legal claims in the reporting period.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 6 - Segment Reporting

The basis of segmentation and the measurement basis for the segment profit or loss are the same as that presented in Note 32, Segment Reporting, in the annual financial statements.

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

For the six months ended June 30, 2021 (unaudited):

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	6,891	27	433	-	7,351
Inter-segment revenues	-	64	6	(70)	-
Segment revenues	<u>6,891</u>	<u>91</u>	<u>439</u>	<u>(70)</u>	<u>7,351</u>
Operating profit before other income	280	76	3	22	381
Other income, net	1	-	-	-	1
Operating profit after other income	<u>281</u>	<u>76</u>	<u>3</u>	<u>22</u>	<u>382</u>
Financing expenses					(121)
Financing income					15
Share in profits of associate company					1
Taxes on income					(66)
Profit for the period					<u>211</u>

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 6 - Segment Reporting (cont'd)

For the six months ended June 30, 2020 (unaudited):

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	7,005	24	391	-	7,420
Inter-segment revenues	-	65	2	(67)	-
Segment revenues	<u>7,005</u>	<u>89</u>	<u>393</u>	<u>(67)</u>	<u>7,420</u>
Operating profit (loss) before other income (expenses)	254	74	(14)	22	336
Other income (expenses), net	-	4	(1)	-	3
Operating profit (loss) after other income (expenses)	<u>254</u>	<u>78</u>	<u>(15)</u>	<u>22</u>	<u>339</u>
Financing expenses					(122)
Financing income					12
Share in losses of associate company					(6)
Taxes on income					<u>(53)</u>
Profit for the period					<u>170</u>

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 6 - Segment Reporting (cont'd)

For the three months ended June 30, 2021 (unaudited):

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	3,354	13	220	-	3,587
Inter-segment revenues	-	32	3	(35)	-
Segment revenues	<u>3,354</u>	<u>45</u>	<u>223</u>	<u>(35)</u>	<u>3,587</u>
Operating profit before other income	133	37	2	11	183
Other income	1	-	-	-	1
Operating profit after other income	<u>134</u>	<u>37</u>	<u>2</u>	<u>11</u>	<u>184</u>
Financing expenses					(66)
Financing income					9
Share in profits of associate company					1
Taxes on income					<u>(31)</u>
Profit for the period					<u>97</u>

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 6 - Segment Reporting (cont'd)

For the three months ended June 30, 2020 (unaudited):

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	3,485	13	191	-	3,689
Inter-segment revenues	-	32	1	(33)	-
Segment revenues	<u>3,485</u>	<u>45</u>	<u>192</u>	<u>(33)</u>	<u>3,689</u>
Operating profit (loss) before other income	125	37	(6)	9	165
Other income	-	4	-	-	4
Operating profit (loss) after other income	<u>125</u>	<u>41</u>	<u>(6)</u>	<u>9</u>	<u>169</u>
Financing expenses					(66)
Financing income					6
Share in losses of associate company					(4)
Taxes on income					<u>(25)</u>
Profit for the period					<u>80</u>

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 6 - Segment Reporting (cont'd)

For the year ended December 31, 2020:

	Retail segment	Real estate segment	Be segment	Reconciliation to consolidated	Consolidated
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
External revenues	14,371	51	811	-	15,233
Inter-segment revenues	-	131	4	(135)	-
Segment revenues	14,371	182	815	(135)	15,233
Operating profit (loss) before other income (expenses)	544	151	(19)	42	718
Other income (expenses), net	15	13	(1)	-	27
Operating profit (loss) after other income (expenses)	559	164	(20)	42	745
Financing expenses					(245)
Financing income					13
Share in losses of associate company					(4)
Taxes on income					(122)
Profit for the year					387

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 7 - Claims and Legal Proceedings

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

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

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

A. 1. Presented hereunder is a description of the Group's contingent liabilities in effect as at June 30, 2021, classified into groups having similar characteristics:

Lawsuit category	Nature of claims	Balance of provision	Amount of additional exposure	Exposure in respect of claims that their chances cannot be assessed as yet	Total
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.	17	**453	***2,655	3,125
Employee claims	Mainly legal claims of present and former employees of the Company involving labor laws including demands to include various salary components in the calculation of various payments to the Company's employees.	1	5	5	11
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.	20	270	-	290
Customer claims for damages	Claims for damages that are handled by the insurance companies.	21	7	*-	28
Total		59	735	2,660	****3,454

* Indicates an amount less than NIS 1 million.

** Including claims against the Company and others in the amount of NIS 236 million in which the amount claimed from the Company is not specified.

*** Including claims against the Company and other defendants in the amount of NIS 2,122 million in which the amount claimed from the Company is not specified.

**** There are additional claims against the Company in which the amount of the claim is not specified, should they be certified as class actions, in respect of which the Company has additional exposure.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021
Note 7 - Claims and Legal Proceedings (cont'd)
A. (cont'd)

2. Presented hereunder is a breakdown of the number and amounts of the Group's pending claims as at June 30, 2021, according to the amount of the claim:

Amount of claim	Number of claims	Total amount claimed (NIS millions)
Up to NIS 100 million (including claims against the Company and others that specify the amount claimed from the Company)	*735	*646
From NIS 100 million to NIS 500 million	3	447
Claims that do not specify an amount claimed	2	-
Claims that do not specify the amount claimed from the Company and others	3	-
Claims against the Company and other defendants together in which the amount claimed from the Company is not specified	20	2,361
Total	763	3,454

* As at June 30, 2021, there are 607 claims of customers for damages in the total amount of NIS 28 million.

B. Information on legal proceedings

During the period, motions to certify claims as class actions have been filed against Group companies in the total amount of NIS 233 million. On the other hand, motions to certify class actions against Group companies in the total amount of NIS 137 million have been rejected and dismissed with the approval of the court.

On January 11, 2021 a motion to certify a class action in the total amount of NIS 1,046 million was filed against the Company and 8 other defendants for selling and not preventing the sale of alcohol to underage persons on the companies' websites. The chances of the claims cannot be assessed at this early stage.

On May 25, 2021 a motion to certify a class action in the total amount of NIS 1,046 million was filed against the Company and 6 other defendants for selling and not preventing the sale of tobacco products and cigarettes to underage persons on the companies' websites. The chances of the claims cannot be assessed at this early stage.

C. Claims of employees, subcontractors, suppliers, authorities and others

In the ordinary course of business, various claims have been filed against the Company by employees, subcontractors, suppliers, authorities and others, which deal mostly in claims for breach of provisions of the law governing termination of employment and obligatory payments to employees, claims for breach of agreements and compulsory payments to authorities. As at June 30, 2021, the amounts that are claimed from the Company under the said claims total NIS 301 million.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 7 - Claims and Legal Proceedings (cont'd)

C. Claims of employees, subcontractors, suppliers, authorities and others (cont'd)

On May 12, 2020 a claim in the amount of NIS 165 million was filed against the Company. The claim brief alleges that the plaintiff and the Company had an agreement for many years by which the plaintiff developed and operated a delivery system that served the Company. The plaintiff alleges that the Company had unilaterally decided to terminate the agreement between them, without providing an advance notice, while breaching the agreement and its commitments towards the plaintiff, thus causing it damages in the amount being claimed. The Company included in its financial statements, based on the opinion of its legal counsel, a provision that sufficiently covers the exposure.

D. Information on claims subsequent to the reporting date

1. A motion to certify a consumer claim as a class action in the amount of NIS 2 million was filed against the Company. The chances of the claims cannot be assessed at this early stage.
2. Two motions to certify consumer claims as class actions in the total amount of NIS 6.5 million against the Company and other companies were concluded with settlements that require the Company to pay insignificant amounts.
3. A motion to certify a consumer claim as a class action against the Company in the amount of NIS 50 million was concluded with a settlement that requires the Company to pay an insignificant amount.

Note 8 - Financial Instruments

Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, trade and other payables, short and long-term loans and borrowings are the same or proximate to their fair value.

The fair value of the bonds and debt instruments at amortized cost and their carrying amount as presented in the statements of financial position are as follows:

	As at June 30, 2021		As at June 30, 2020		As at December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited		Unaudited		Audited	
	NIS millions		NIS millions		NIS millions	
Bonds (including accrued interest) –	(3,004)	(3,426)	(3,242)	(3,633)	(2,949)	(3,380)
Debt instruments at amortized cost	80	83	96	96	87	90

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

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021

Note 8 - Financial Instruments (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 (unobservable inputs).

	As at June 30, 2021				As at June 30, 2020				As at December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	NIS millions				NIS millions				NIS millions			
	Unaudited				Unaudited				Audited			
Financial assets												
Interest SWAP	-	12	-	12	-	-	-	-	-	-	-	-
Investment*	-	-	17	17	-	-	12	12	-	-	12	12
	-	12	17	29	-	-	12	12	-	-	12	12
Financial liabilities												
Interest SWAP	-	-	-	-	-	(16)	-	(16)	-	(12)	-	(12)
Forward	-	(4)	-	(4)	-	(4)	-	(4)	-	(4)	-	(4)
	-	(4)	-	(4)	-	(20)	-	(20)	-	(16)	-	(16)
	-	8	17	25	-	(20)	12	(8)	-	(16)	12	(4)

* Financial investments measured at fair value through profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements as at June 30, 2021**Note 9 - Material Events Subsequent to the Reporting Date**

- A.** On July 1, pursuant to the approval of the Company's board of directors from June 14, 2021 after receiving the approval of the compensation committee, and at the beginning of his term, the Company's new VP of Information Technology was allotted 206,618 stock options of the Company and 10,473 restricted share units (RSU). The options and restricted share units 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 of the Ordinance. The options and restricted share units were granted for no consideration. The grant date value of the options and restricted share units was estimated at NIS 1 million.

Type of instrument	Terms of the instrument	Number of instruments (in thousands)	Vesting terms*	Contractual duration of the instrument*
Option warrants	Each option may be exercised for one ordinary share, NIS 0.1 par value, at an exercise price of NIS 28.88 (exercise price will be dividend-adjusted). Exercise of the option will be executed in shares in the "net exercise" format.	207	Will vest in 3 equal annual installments	4 years – first and second tranches 5 years – third tranche
Restricted share units (RSU)	Each restricted share unit will be automatically realized for one ordinary share, NIS 0.1 par value, with no exercise fee.	10	Will vest in 3 equal annual tranches	Restricted share units will be realized automatically on the relevant vesting date.

*Commencing from the first date of work, July 1, 2021.

- B.** See Note 7 above for updates on material developments related to legal claims subsequent to the reporting period.

Part C

Condensed Separate Interim Financial Information

As at June 30, 2021
(Unaudited)



Condensed Separate Interim Financial Information as at June 30, 2021 (Unaudited)

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To:
The Shareholders of
Shufersal Ltd

Rishon LeZion

Dears Sirs and Madams,

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

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970 of Shufersal Ltd (hereinafter – "the Company") as of June 30, 2021 and for the six and three-month periods then ended. The separate interim financial information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express a conclusion on this separate interim financial information based on our audits.

We did not review the separate interim financial information of an associate accounted for using the equity method the investment in which amounted to NIS 61 million as of June 30, 2021, and the Company's share in its profits amounted to NIS 1 million for the six and three-month periods then ended, respectively. The financial statements of that company were reviewed by other auditors, whose review reports have been furnished to us and our conclusion, insofar as it relates to the financial statements of that company, is based on the report of the other auditors.

Scope of review

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

Conclusion

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

Haifa, Israel
August 11, 2021

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

Condensed Interim Information on the Financial Position

	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Assets			
Cash and cash equivalents	757	449	469
Short-term deposits	350	300	400
Trade receivables	1,404	1,352	1,470
Investee companies	88	102	97
Other receivables	130	141	126
Other investments	12	12	12
Inventory	923	813	926
Total current assets	3,664	3,169	3,500
Long-term deposits	400	-	-
Other investments	85	95	87
Other receivables	82	80	89
Investments in investee companies	1,606	1,267	1,455
Bonds from consolidated company	297	333	290
Investee companies	173	588	187
Capital notes from investee companies	88	319	88
Property, plant and equipment	2,205	1,922	2,141
Right-of-use assets	3,760	2,808	3,561
Intangible assets	1,331	1,088	1,325
Deferred taxes	125	118	133
Total non-current assets	10,152	8,618	9,356
Total assets	13,816	11,787	12,856

Signed on behalf of the Board of Directors:

_____ Yaki Vadmani	Chairman of the Board of Directors
_____ Itzik Abercohen	Chief Executive Officer
_____ Talya Huber	Chief Financial Officer

Date of approval of the separate financial information: August 11, 2021

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

Condensed Interim Information on the Financial Position

	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions
Liabilities			
Capital notes to investee companies	65	65	65
Current maturities in respect of bonds	331	320	267
Current maturities of lease liabilities	372	304	358
Trade payables	1,992	2,034	2,159
Investee companies	155	140	161
Other payables	1,051	916	1,050
Provisions	53	39	52
Total current liabilities	4,019	3,818	4,112
Bonds	2,673	2,922	2,682
Lease liabilities	3,712	2,767	3,519
Employee benefits, net	276	234	265
Other liabilities	130	46	42
Total non-current liabilities	6,791	5,969	6,508
Equity			
Share capital	245	242	242
Share premium	1,650	963	963
Reserves	55	6	40
Treasury shares	(85)	(85)	(85)
Retained earnings	1,141	874	1,076
Total equity	3,006	2,000	2,236
Total liabilities and equity	13,816	11,787	12,856

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

Condensed Interim Information on Income

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenues	7,215	6,952	3,513	3,462	14,678
Cost of revenues	5,274	5,169	2,554	2,583	10,887
Gross profit	1,941	1,783	959	879	3,791
Selling and marketing expenses	1,465	1,352	721	666	2,873
General and administrative expenses	117	103	60	51	233
Total selling, marketing, general and administrative expenses	1,582	1,455	781	717	3,106
Operating profit before other income	359	328	178	162	685
Other income, net	1	-	1	-	15
Operating profit after other income	360	328	179	162	700
Financing expenses	(119)	(110)	(63)	(59)	(244)
Financing income	27	25	14	12	48
Financing expenses, net	(92)	(85)	(49)	(47)	(196)
Loss from investee companies	(9)	(36)	(10)	(18)	(30)
Profit before taxes on income	259	207	120	97	474
Taxes on income	(48)	(37)	(23)	(17)	(87)
Profit for the year attributable to owners of the Company	211	170	97	80	387

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

Condensed Interim Information on Comprehensive Income

	Six months ended		Three months ended		Year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Profit for the period attributable to owners of the Company	211	170	97	80	387
Other comprehensive income (loss) for the period that after initial recognition in comprehensive income was or will be transferred to profit or loss					
Effective portion of the change in fair value of cash flow hedges	19	(14)	2	-	(10)
Net change in fair value included in cost of hedging reserve	*_	-	*_	-	*_
Taxes on other comprehensive income items that were or will be subsequently transferred to profit or loss	(4)	3	-	-	2
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	15	(11)	2	-	(8)
Other comprehensive income (loss) items that will not be transferred to profit or loss					
Remeasurement of defined benefit plan	(8)	1	(8)	(16)	(22)
Revaluation reserve for property, plant and equipment classified as investment property	-	-	-	-	40
Taxes on other comprehensive income items that will not be transferred to profit or loss	(1)	(1)	(1)	(2)	(1)
	2	-	2	4	(4)
Total other comprehensive income (loss) for the period that will not be transferred to profit or loss, net of tax	(7)	-	(7)	(14)	13
Other comprehensive income (loss) for the period, net of tax	8	(11)	(5)	(14)	5
Total comprehensive income for the period attributable to owners of the Company	219	159	92	66	392

* Indicates an amount less than NIS 1 million.

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

Condensed Interim Information on Cash Flows

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from operating activities					
Profit for the period attributable to owners of the Company	211	170	97	80	387
Adjustments for:					
Depreciation of property, plant and equipment	168	150	84	75	322
Amortization of intangible assets	29	21	16	11	54
Amortization of right-of-use assets	186	154	95	77	339
Taxes on income included in income statements	48	37	23	17	85
Income taxes paid, net	(50)	(48)	(19)	(33)	(94)
Change in employee benefits	-	-	-	-	(6)
Loss on sale of property, plant and equipment	-	-	-	-	1
Financing expenses, net	92	85	49	47	196
Share-based payment	2	6		3	9
Investee companies	39	71	33	29	144
Profit from investee companies	(66)	(35)	(30)	(18)	(113)
Change in trade receivables	66	(138)	271	439	(199)
Change in other receivables	35	(7)	75	26	23
Change in inventory	3	(70)	56	75	(21)
Change in trade payables	(182)	131	(289)	(404)	257
Change in other payables, provisions and other	(7)	166	(362)	(229)	252
Net cash from operating activities	574	693	99	195	1,636

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

Condensed Interim Information on Cash Flows

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows used in investing activities					
Purchase of property, plant and equipment	(213)	(167)	(113)	(90)	(386)
Proceeds from sale of property, plant and equipment	1	-	1	-	3
Investment in intangible assets	(35)	(39)	(20)	(18)	(82)
Realization of debt instruments at amortized cost, net	7	1	2	-	7
Cash from wholly owned company that was merged	-	-	-	-	5
Loan to subsidiaries	(18)	(17)	-	(4)	(10)
Interest received	1	3	-	1	6
Investment in deposits, net	(350)	-	-	(200)	(100)
Other long-term investment	(7)	(4)	(7)	-	(4)
Net cash from investing activities in respect of transactions with investee companies	(1)	(8)	(1)	(6)	(6)
	(615)	(231)	(138)	(317)	(567)
	27	15	-	-	15
Net cash used in investing activities	(588)	(216)	(138)	(317)	(552)

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

Condensed Interim Information on Cash Flows

	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2021	2020	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Cash flows from financing activities					
Short-term credit	-	(93)	-	-	(93)
Proceeds from issuance of bonds, net	-	312	-	312	312
Repayment of bonds	-	-	-	-	(235)
Proceeds from issuance of shares (net of issuance expenses)	689	-	-	-	-
Repayment of principal and interest of lease liability	(230)	(196)	(114)	(97)	(416)
Dividend paid	(140)	(80)	(140)	(80)	(80)
Payments in respect of hedging transactions	-	-	-	-	(9)
Interest paid	(17)	(10)	-	-	(133)
Net cash from (used in) financing activities	302	(67)	(254)	135	(654)
Change in cash and cash equivalents	288	410	(293)	13	430
Cash and cash equivalents at the beginning of the period	469	39	1,050	436	39
Cash and cash equivalents at the end of the period	757	449	757	449	469

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

Additional Information to the Condensed Separate Interim Financial Information as at June 30, 2021

Note 1 - General

Presented hereunder is financial information from the Group's condensed consolidated interim financial statements as at June 30, 2021 (hereinafter – "the consolidated financial statements"), which are issued as part of the periodic reports, and which are attributed to the Company itself (hereinafter – "condensed separate interim financial information"), and are presented in accordance with Regulation 38D (hereinafter – the Regulation) and the tenth addendum to the Securities Regulations (Periodic and Immediate Reports) – 1970 (hereinafter – "the tenth addendum") regarding condensed separate interim financial information of an entity.

The condensed separate interim financial information should be read together with the separate financial information as at and for the year ended December 31, 2020 and with the consolidated financial statements as at December 31, 2020 and the condensed consolidated interim financial statements as at June 30, 2021.

In this separate financial information –

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

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

The accounting policies applied in this condensed separate interim financial information are the same as those applied in the separate financial information as at December 31, 2020.

Note 3 - Material Events in the Reporting Period

- A. During the period a wholly owned subsidiary distributed a dividend in the amount of NIS 20 million.
- B. See Note 5 to the condensed consolidated interim financial statements for details regarding additional material events in the reporting period.

Note 4 - Material Events Subsequent to the Reporting Period

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

Part D

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



Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for the Second Quarter of 2021

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

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

In this respect, the members of management are:

1. Itzik Abercohen, CEO;
2. Nir Matosevich, Executive VP and Head of Trade and Marketing;
3. David Laron, Executive VP and Head of Operations and Supply Chain;
4. Talya Huber, CFO and person in charge of management of market risks;
5. Zvika Fishheimer, Executive VP, Human Resources, Administration and Procurement;
6. Sharon Gambasho, Executive VP R&D and Real Estate;
7. Aran Meiri, VP, General Counsel;
8. Zvi Baida, Chief Ecommerce Officer;
9. Shai Vardi, VP Information Technology.¹

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.

In the annual report on effectiveness of internal control over financial reporting and disclosure that was attached to the periodic report for the period ended December 31, 2020 (hereinafter – **the last annual report on internal control**), the Board of Directors and Management performed an evaluation of the Company's internal control. Based on that evaluation, the Company's Board of Directors and Management had concluded that the Company's internal control as at December 31, 2020 is effective.

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

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

¹ Commenced his term on July 1, 2021.

Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for the Second Quarter of 2021

Officers' Certification

Certification of Chief Executive Officer

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

I, Itzik Abercohen, certify that:

1. I have reviewed the quarterly report of Shufersal Ltd. (hereinafter – "**the Company**") for the second quarter of 2021 (hereinafter – "**the reports**");
2. Based on my knowledge, the reports do not contain any misrepresentation of any material fact and do not omit any representation of any material fact that is needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports;
3. Based on my knowledge, the financial statements and other financial information included in the reports fairly present, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports;
4. I have disclosed to the Company's auditor, to the Company's Board of Directors, Audit Committee and Financial Statement Committee, based on my most recent evaluation of internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and the material weaknesses in the design or operation of internal control over financial reporting and disclosure that could reasonably adversely affect the Company's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
 - B. Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure;
5. I, alone or together with others in the Company, state that:
 - A. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated companies within their meaning in the Securities Regulations (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those consolidated companies, particularly during the period in which the reports are being prepared; and –
 - B. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
 - C. I have not become aware of any event or matter that occurred in the period between the date of the last report (the periodic report as at December 31, 2020) and the date of this report, which could change the conclusion of the Board of Directors and of Management about the effectiveness of the Company's internal control over financial reporting and disclosure.

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

August 11, 2021

Itzik Abercohen
CEO

Report on Effectiveness of Internal Control over Financial Reporting and Disclosure for the Second Quarter of 2021

Officers' Certification

Certification of Most Senior Financial Officer

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

I, Talya Huber, certify that:

1. I have reviewed the interim financial statements and other financial information included in the interim financial statements of Shufersal Ltd. (hereinafter – **the Company**) for the second quarter of 2021 (hereinafter – **the reports or the interim period reports**);
2. Based on my knowledge, the financial statements and other financial information included in the interim period reports do not contain any misrepresentation of any material fact and do not omit any representation of any material fact that is needed in order for the representations included therein, in view of the circumstances under which such representations were included, not to be misleading with reference to the period of the reports;
3. Based on my knowledge, the interim financial statements and other financial information included in the interim period reports fairly present, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods addressed in the reports;
4. I have disclosed to the Company's auditor, to the Company's Board of Directors, Audit Committee and Financial Statement Committee, based on my most recent evaluation of internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and the material weaknesses in the design or operation of internal control over financial reporting and disclosure that could reasonably adversely affect the Company's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of financial statements in accordance with law; and –
 - B. Any fraud, whether material or not, that involves the CEO or direct subordinates thereto or that involves other employees with a significant role in internal control over financial reporting and disclosure;
5. I, alone or together with others in the Company, state that:
 - A. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to ensure that material information relating to the Company, including its consolidated companies within their meaning in the Securities Regulations (Annual Financial Statements) – 2010, is made known to me by others in the Company and within those consolidated companies, particularly during the period in which the reports are being prepared; and –
 - B. I have designed such controls and procedures, or caused such controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with law, including in accordance with generally accepted accounting principles;
 - C. I have not become aware of any event or matter that occurred in the period between the date of the last report (the periodic report as at December 31, 2020) and the date of this report, to the extent it relates to the interim financial statements and other financial information included in the interim period reports, which in my opinion could change the conclusion of the Board of Directors and of Management about the effectiveness of the Company's internal control over financial reporting and disclosure.

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

August 11, 2021

Talya Huber
CFO

Appendix



Appendix A

Auditors' Consent Letter



August 11, 2021

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 December 2018

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 December 2018:

1. The auditor's report dated August 11, 2021, on the Company's consolidated financial statements as of June 30, 2021 and for the six and three months then ended.
2. The auditor's special report dated August 11, 2021, on the Company's separate financial information as of June 30, 2021 and for the six and three months then ended, under Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Respectfully,

Kesselman & Kesselman
Certified Public Accountants
Member firm of PricewaterhouseCoopers International Limited

