

Shufersal Group reports today on the financial results of the year 2022 and of the fourth quarter of this year:

Revenues in 2022 totalled approximately NIS 14.66 billion, a decrease of 0.7% compared to approximately NIS 14.76 billion in 2021.

The group is implementing an investment plan of approximately NIS 1 billion in the growth engines for the coming years (of which approximately NIS 700 million is an investment in the automatic shipping warehouses of the online activity).

Revenues in the fourth quarter totalled approximately NIS 3.65 billion, an increase of approximately 1% compared to approximately NIS 3.61 billion in the corresponding quarter last year.

The operating profit before other revenues/expenses in 2022 totalled approximately NIS 394 million, which is approximately 2.7% of revenues; the company announced a net profit of NIS 2 million in 2022 after a one-time expenditure of approximately NIS 182 million for an efficiency plan.

Private brand sales associated with the retail sector in 2022 grew to approximately 27.2% of total sales in shipping centers and Shufersal branches, compared to approximately 26.6% in 2021.

The year 2022 is a significant milestone for Shufersal, which formed a new management, launched an automatic shipping warehouse in Kadima, opened a new logistics center for the institutional market with an investment of approximately NIS 27 million,

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purchased the Dan Deal stock chain for approximately NIS 182 million, signed a memorandum of understanding for cooperation with the retail giant SPAR for approximately NIS 28 million, approved and implemented an efficiency plan of approximately NIS 250 million and appointed a CEO for Shufersal Real Estate, which constitutes a growth engine.

In addition, Shufersal reduced the cost of living in the fight against the big suppliers, which led to a delay in the price increases in the chain's branches and the announcement of a "Price Lowered – Price Locked" sale on a selected basket of products.

Itzik Abercohen, Chairman of the Shufersal Group Board of Directors and Uri Waterman, CEO of the Shufersal Group, said today:

"The year 2022 was characterized by a decrease in demand in the food retail chains all over the world in light of the exit from the epidemic period and the return to normality, as well as by the increase in the prices of production factors and wages, along with difficulty in recruiting manpower. However, the group's revenues last year reflect a high and stable level of demand in the retail sector, and we believe that the investment moves we have taken and the efficiency plan we have implemented since the fourth quarter of this year, place Shufersal in a very good starting position for the year 2023.

The past year was an important milestone in the group's activities. In the second half of the year, the seeds for continued growth were sown with the appointment of a CEO and a new management, which works to adapt the organization to deal with a changing reality and to continue the significant expansion of the growth engines, alongside strengthening the core activity.

We continue working even more intensively to create value for our customers by strengthening and improving the group's activity in all its fields of activity while leveraging the synergy between the group's companies. Through the strong technological infrastructure, the optimization of the online system, and the introduction of modern technologies to the branches while taking advantage of our large customer club, Shufersal will continue growing, developing and leading the food retail market in Israel."

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- **The group's revenues in the fourth quarter** totalled approximately NIS 3.65 billion, which is an increase of approximately 1% (approximately NIS 36 million) compared to approximately NIS 3.61 billion in the corresponding quarter last year.
- **The group's revenues in 2022** totalled approximately NIS 14.66 billion compared to approximately NIS 14.76 billion in the corresponding period last year, a decrease of approximately 0.7%. Revenues were affected by a 1.4% decrease in food retail sales, on the other hand there was an increase in sales in the business market (B2B), and an increase as a result of the purchase of "Dan Deal".

Same branch sales (food retailing) decreased by approximately 1.6% in the fourth quarter of 2022 compared to the corresponding quarter last year.

The gross profit in the fourth quarter totalled approximately NIS 960 million, which constitute approximately 26.3% of revenues compared to approximately NIS 974 million in the corresponding quarter last year, which constituted approximately 27.0% of revenues.

- **In 2022, the gross profit** totalled approximately NIS 3,882 million, compared to approximately NIS 4,021 million in 2021, and it constitutes approximately 26.5% of the sales turnover compared to approximately 27.2% in 2021. The decrease is due to a change in trade conditions and an increase in the inventory management expenses.
- **The operating profit before other revenue/expenses in the fourth quarter** totalled approximately NIS 70 million, which is approximately 1.9% of the group's income compared to approximately NIS 159 million, which was approximately 4.4% of the group's income in the corresponding quarter last year. The decrease in operating profit resulted, among other things, from an increase in total expenses as a result of the increase in the cost of production factors and the effect of inflation, as well as from the expansion of business activity.
- On October 31, 2022, the company's board of directors approved an efficiency plan with the aim of dealing with future competition and improving

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the company's financial results, considering the increase in operating expenses and the expected increases in the company's production factors, as well as in preparation for the transfer of part of the online activity to the automatic dispatch center in Modi'in during the year 2023. In connection with the plan, in 2022 the company registered a one-time expense, before tax, of approximately NIS 182 million, of which an expense of approximately NIS 170 million was recorded in the third quarter, whereas the expense was updated in the fourth quarter to approximately NIS 182 million, as mentioned.

- **Other revenues** in the fourth quarter of this year totalled approximately NIS 12 million, resulting from the revaluation of real estate assets for investment in the amount of NIS 35 million, and on the other hand, expenses totalling NIS 12 million net for the company's efficiency plan and approximately NIS 11 million for commitment to pay improvement levies.
- **The operating profit after other revenue/expenses** in the fourth quarter totalled approximately NIS 82 million, which constitute approximately 2.2% of revenues compared to approximately NIS 211 million, which constituted approximately 5.8% in the corresponding quarter last year.
- **The operating profit before other revenue/expenses in 2022** totalled approximately NIS 394 million, approximately 2.7% of the sales turnover, compared to approximately NIS 726 million in 2021, which constituted approximately 4.9% of the sales turnover. The decrease resulted, as mentioned, from an increase in total expenses and the increase in the cost of production factors and the effect of inflation, as well as from the expansion of business activity.
- **Other expenses** in 2022 totalled NIS 111 million, mainly as a result of expenses totaling NIS 182 million for the company's efficiency plan and, on the other hand, from the revaluation of real estate assets for investment totalling NIS 69 million.
- **The operating profit after other revenue/expenses** in 2022 totalled approximately NIS 283 million, which constitute approximately 1.9% of

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- revenues compared to approximately NIS 779 million which constituted approximately 5.3% of revenues in 2021.
- **The net profit in the fourth quarter** totalled approximately NIS 3 million compared to a net profit of approximately NIS 100 million in the corresponding quarter last year. The decrease mainly resulted from a decrease in operating profit, from a one-time expense of NIS 12 million for the efficiency plan, and a decrease in the value of real estate for investment of approximately NIS 16 million compared to the corresponding quarter in 2021.
- **The net profit in 2022** totalled approximately NIS 2 million compared to a net profit of approximately NIS 393 million in 2021. The decrease mainly resulted from a decrease in the operating profit, from a one-time expense of NIS 182 million for the efficiency plan, offsetting an increase in the value of real estate for investment of approximately NIS 18 million compared to 2021.
- **The EBITDA in the fourth quarter** totalled approximately NIS 300 million, which is approximately 8.2% of the company's total sales compared to approximately NIS 375 million, which was approximately 10.4% of the company's total sales in the corresponding quarter last year.
The EBITDA in 2022 totalled approximately NIS 1,294 million, which is approximately 8.8% of the company's total sales, compared to approximately NIS 1,559 million, which was approximately 10.6% of the company's total sales in 2021.
- **Operating profit before other revenue/expenses in the real estate sector in the fourth quarter** totalled approximately NIS 48 million compared to approximately NIS 39 million in the corresponding quarter last year.
- **The operating profit before other revenue / expenses in the real estate sector in 2022** totalled approximately NIS 172 million compared to approximately NIS 154 million in 2021. With regard to the group's real estate assets for investment, an increase in the fair value due to appraisals was

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recorded in 2022 in the amount of approximately NIS 18 million compared to the increase in the fair value in 2021, which is mainly due to the effect of the increase in the consumer price index, as well as the effect of the purchase of Lev HaMifratz company.

- **The Be sector** was affected in the fourth quarter by a change in the sales combination with an emphasis on Corona products.
- **Revenues from the Be sector** totalled approximately NIS 255 million in the fourth quarter compared to approximately NIS 256 million in the corresponding quarter last year. Sales in same stores decreased by 0.4% compared to last year.
- The operating loss before other revenues / expenses in the Be sector for the fourth quarter, totalled approximately NIS 7 million compared to an operating profit before other revenues / expenses of approximately NIS 3 million in the corresponding quarter last year. The decrease was due to a change in the sales combination with an emphasis on Corona products.
- **In 2022, revenues from the Be sector** totalled approximately NIS 1,045 million compared to approximately NIS 966 million in 2021, an increase of approximately 8.2% which resulted from an increase in the scope of branch and online sales.
- **Sales in same stores** increased by approximately 6.8% in 2022 compared to 2021.
- The operating loss before other revenues/expenses in the Be sector totalled approximately NIS 3 million, compared to an operating profit of approximately NIS 2 million in 2021. The decrease is due to a change in the sales mix, an increase in labor and rent expenses, as well as an increase in inputs compared to the previous year, which was positively affected by the Corona crisis.
- **Revenues from the real estate sector** in 2022 totalled NIS 206 million, compared to NIS 184 million in 2021. The increase is mainly due to the increase in the consumer price index and also to the effect of the acquisition of the Lev HaMifratz company.

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- As of December 31, 2022, **the group had real estate for investment** in the amount of approximately NIS 1,380 million compared to approximately NIS 878 million in 2021. The increase of approximately NIS 502 million is due to an increase of approximately NIS 392 million from the purchase of additional shares in the Lev HaMifratz and the balance is mainly due to an increase in the fair value, from sorting assets between fixed assets and real estate for investment as well as additions and current investments.
- **The sales of the retail sector through Shufersal Online in the fourth quarter** totalled approximately 18.4% compared to approximately 20.9% in the corresponding quarter last year and compared to 18.9% in the third quarter of 2022.

Sales of the retail sector through Shufersal Online in 2022 totalled approximately 19.4% compared to approximately 20.6% in 2021. The decrease is mainly due to the weakening of the effect of the Corona crisis.

The share of private label sales associated with the retail sector in the fourth quarter rose to approximately 27.8% of total sales in shipping centers and Shufersal branches, compared to approximately 26.9% in the corresponding quarter last year and compared to 26.7% in the third quarter of 2022. The group will continue to expand and strengthen the private label, including the launch of products in existing and new categories.

- The share of the private label associated with the retail sector **in 2022** constituted approximately 27.2% of all sales in shipping centers and Shufersal branches compared to approximately 26.6% in 2021 and compared to a share of approximately 25.8% in 2020.