

CEO's Message

Sharper. Leaner. Ready for growth.

We entered 2024 with a clear intention: reshape the business into a more focused, responsive and scalable platform for growth. That meant becoming sharper in execution, leaner in structure and more aligned with where value lies - both for today and in the years to come. The transformation we undertook was not just about efficiency, it was about building the capability and clarity to grow with intention. What follows is a summary of how we've laid that foundation, and how Cenomi Retail is now positioned to move forward with strength and direction.

Resetting with Resilience. Transforming for the Future.

In 2024, Cenomi Retail executed the most comprehensive transformation in its history. We set out to turn the business around across all dimensions - portfolio, operations and structure - with a clear objective: to prepare for disciplined, scalable growth. That meant making tough decisions, from streamlining our brand portfolio to optimizing store formats, in order to concentrate our efforts on high-performing, high-potential assets. Our strategy centered on strengthening the core: prioritizing Tier 1 Champion Brands, right-sizing our footprint and establishing the conditions for long-term value creation.

Transforming our store portfolio was a critical lever in this reset. Rather than focusing on volume or absolute store count, we pursued quality and efficiency. Closures were intentional and aligned with our view that scale should be driven by productivity, not presence. Our flagship Zara store at Al Nakheel Mall is symbolic of this shift: larger, renovated and digitally enabled to elevate the customer experience while supporting future growth. Across the portfolio, we have continued to invest in higher-quality retail space for key brands in premium locations, reinforcing our strategy of scaling where it matters.

Transformation extended deep into the operating model. We embedded greater discipline in procurement, optimized staff structures and restructured core processes, to increase responsiveness and control. Inventory was managed with more precision, reducing inefficiencies and aligning stock with customer demands. These changes were much more than cosmetic - they were structural, designed to position Cenomi Retail as a sharper, more agile business. As we enter our next phase of growth, we do so with a business that is uncomplicated, more focused and better equipped to capture the opportunities that lie ahead.

Stronger Results. Strengthening the Core.

Cenomi Retail delivered a significantly improved financial performance in 2024, with revenue rising 3.7% year-on-year (YoY) to ₪ 4.8 billion. Gross profit grew 5.8% to ₪ 631.5 million, supported by improved sales, lower inventory provisions and the continued execution of cost and brand optimization initiatives. EBITDA improved from negative ₪ 115 million in 2023 to a positive ₪ 469 million in 2024, marking a clear inflection point in the Company's profitability trajectory. EBITDA margin reached 9.7%, supported by effective cost optimization and better operating leverage across core markets.

The net loss narrowed sharply from ₪ 1.1 billion in 2023 to ₪ 197 million in 2024, driven by disciplined SG&A management and improved sales efficiency, with overall SG&A declining by 23% year-on-year. Inventory shrinkage averaged 0.75% of revenue - well below global benchmarks of 1.38% to 1.62% - reflecting tighter control and improved stock visibility, reinforcing the impact of operational streamlining.

Cenomi Retail also made substantial progress on deleveraging the balance sheet, with total debt payments of ₪ 664 million and a 31.6% year-on-year reduction in net debt. Leverage improved, with the net debt to equity ratio falling from 20.1x in 2023 to 3.4x in 2024. These gains, combined with targeted investments in high-performing brands and geographies, have created a leaner, more financially resilient platform from which to drive sustainable growth.

Accelerating Divisional Progress and Performance

Cenomi Retail's 2024 performance reflects the progress of its strategy across all business units. The Company continues to focus on improving the retail experience, optimizing operations and deepening customer engagement across physical and digital channels. Total full-year revenue rose to nearly ₪ 5 billion, supported by strong international growth and the contribution of new store openings for Tier 1 Champion Brands.

Our Saudi Retail operations remain the anchor market for Cenomi Retail. Full-year revenue reached ₪ 3.2 billion, representing 66% of the total consolidated revenue. While this reflects a 1.7% decline year-over-year due to the impact of the brand optimization program, Q4 results point to a recovery trend supported by marketing campaigns and targeted store investments. The grand reopening of the Kingdom's largest Zara store at Al Nakheel Mall in Riyadh exemplifies the strategy to drive growth through key flagship locations. This site alone delivered a 40% year-on-year revenue increase in December 2024.

Our International Retail operations delivered a standout performance in 2024, with revenue reaching ₪ 1.3 billion, up 26.5% year-over-year. The Company continues to expand its footprint in high-potential growth markets, with outstanding contributions from Azerbaijan and Georgia and a successful market entry into Uzbekistan, which generated ₪ 132 million in its first year. This reflects the Group's strategy of disciplined international expansion through a mix of new openings, renovations and a broader omnichannel presence.

Our F&B revenue totaled ₪ 328 million in 2024, down 13.5% year-over-year, largely due to the closure of 35 non-performing stores as part of the brand optimization. Nonetheless, Subway demonstrated exceptional momentum, with revenue up 75.6% year-over-year in 2024 (YE). This growth was driven by record-setting store rollouts, including 12 stores in a single day in October and 14 simultaneously on one day in December. These openings included a mix of traditional outlets, cloud kitchens and non-traditional venues such as banks and hospitals, signaling a more agile and diversified growth model for the business.

Our E-commerce business generated ₪ 363 million in revenue in 2024, representing 7.5% of the total turnover. While this reflects a 2.9% year-over-year decline temporarily impacted by the brand optimization program, the division made significant operational progress, and we are anticipating that better performance will be delivered from the E-commerce business, building on the operational enhancements delivered in 2024. The launch of four Inditex brands on Trendyol marked a milestone in platform integration and marketplace strategy, while investments in local logistics and the rollout of new online stores in Uzbekistan reinforced the Company's regional reach, which is part of our strategy to digitally expand whether through third-party online marketplaces or potentially promising markets such as Uzbekistan. Digital revenue from Zara and Inditex grew by 6.6% year-over-year, highlighting a clear path forward for the business in 2025.

Salim Fakhouri

Chief Executive Officer



Reshaping Our Footprint for Sustainable Growth

During 2024, Cenomi Retail took deliberate and strategic action to realign its physical footprint in support of its ongoing brand optimization program. A total of 558 stores were closed throughout the year, including 486 in Saudi Arabia, as part of the Company's disciplined exit from non-core brands and underperforming locations. These closures were balanced by 93 new store openings - 41 in Retail and 52 in F&B - focused on market-leading brands in key locations. Performance across the refreshed network is being closely monitored to ensure alignment with long-term profitability goals. The result is a more focused and efficient store network, designed to support long-term profitability and performance.

The fourth quarter reflected the same strategic intent, with 17 closures and 45 new openings for a net addition of 28 stores. Importantly, all Q4 closures were part of natural business attrition and not linked to divestments, underscoring the Company's commitment to healthy portfolio pruning as part of regular performance evaluation. In the F&B segment, Cenomi Retail opened 35 new outlets and closed 10, maintaining an expansion strategy centered on high-traffic formats and locations.

This rationalization of the portfolio is delivering tangible operational efficiencies. Store counts across Saudi retail now stand at 360, while the international network totals 249 stores. F&B, bolstered by record-setting expansion activity, closed the year with 271 outlets. These adjustments - combined with improved inventory control, streamlined store operations and a sharpened focus on top-performing brands - are reinforcing Cenomi Retail's foundation for growth. The Company enters 2025 with a leaner, nimbler store network aligned to its long-term vision.

Developing Our Workforce. Empowering Our Talent

Cenomi Retail's transformation over the past year has been matched by a renewed investment in our people. As the business evolved, we prioritized workforce alignment to support new strategic goals. Key hires across eight countries ensured our store network remained operational and responsive, with 2,676 new employees recruited and 85% of the workforce completing at least one training program. Targeted upskilling, particularly around new brand concepts and

digital tools, helped drive operational performance, while focused communication and internal mobility initiatives sustained engagement during a period of significant change.

Store staff turnover declined to 40% in 2024 from 70% the previous year, reflecting our strengthened retention efforts. Career development opportunities, improved onboarding and recognition programs across all markets helped foster a culture of belonging and resilience. In the Kingdom alone, 1,499 Saudi nationals were hired, underscoring our continued commitment to Saudization and local talent development. Meanwhile, broader initiatives across Jordan, Uzbekistan, Armenia and others enhanced team cohesion and maintained service quality during restructuring.

Our people strategy is closely tied to our broader sustainability agenda. In 2024, we continued to embed inclusive hiring practices, promote diversity and ensure fair employment conditions across our markets. Employee well-being, from mental health to workplace flexibility, remained a key focus, and our cultural initiatives boosted employee morale. These efforts are just a sample of the overall push we are making to shape a stronger, more agile Cenomi Retail, prepared for the next chapter of growth.

Moving with Purpose for Long-term Growth

Looking ahead, Cenomi Retail will transition from a period of brand portfolio optimization to a new phase of focused expansion and operational scalability. Following the successful divestment of 24 non-core brands and a 34.6% reduction in total store count, our attention now remains focused on reshaping the store portfolio. This will involve targeted investments in renovating and expanding Tier 1 Champion Brand stores in high-traffic locations, enhancing the customer journey and elevating in-store experiences through upgraded layouts, fitting room technology and self-checkout innovations. The renovation program will prioritize stores that offer both scale and strategic value, building on the encouraging results seen from flagship transformations such as Zara at Al Nakheel Mall.

Our broader objective in 2025 is to build on the efficiencies gained across the business. With a 31.6% reduction in net debt already achieved in 2024, the Company is well-positioned to reinvest in growth without compromising financial discipline. We will continue to enhance operational performance by deepening our presence in key domestic and international markets, scaling e-commerce initiatives and launching new formats that support profitable expansion. As we prepare to enter Phase 2 of our strategy, Cenomi Retail remains sharply focused on execution, customer-centric innovation and unlocking value across every part of the business.

Acknowledgments

I would like to thank our Chairman and the Board of Directors for their clear vision and unwavering support throughout this critical phase of transformation. Their guidance has been instrumental in helping us navigate complexity with discipline and purpose. I also extend my sincere appreciation to our employees across all markets, whose dedication and adaptability continue to power our progress.

We are equally grateful to our brand and business partners for their continued trust, and to our customers, whose loyalty inspires us to keep raising the bar. Every milestone we've reached this year reflects the strength of these relationships and our shared commitment to delivering exceptional value.

As we look to the future, we do so with clarity, confidence, and renewed determination. Cenomi Retail is now more focused, more agile and more prepared than ever to lead the next chapter of modern retail in the region.

