Alon Holdings Blue Square

Presentation for Investors
March 2012

אלון החזקות ברבוע כחול

"To get out of the box"

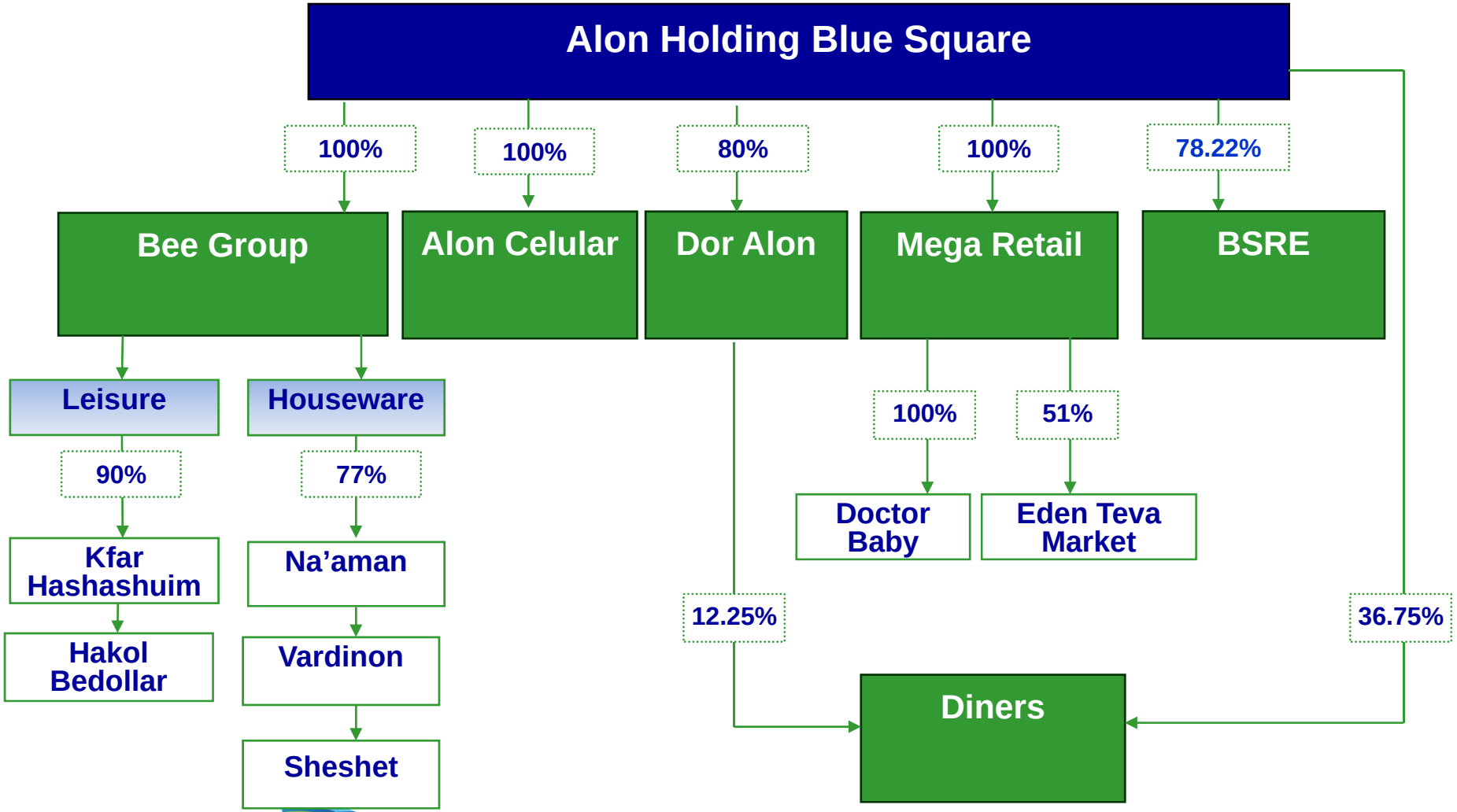
5 Fields of activity - Revenue of NIS 15 billion a year

700 Selling points

<u>Largest retail group in Israel</u>

אלון החזקות ברבוע כחול

Holdings Structure



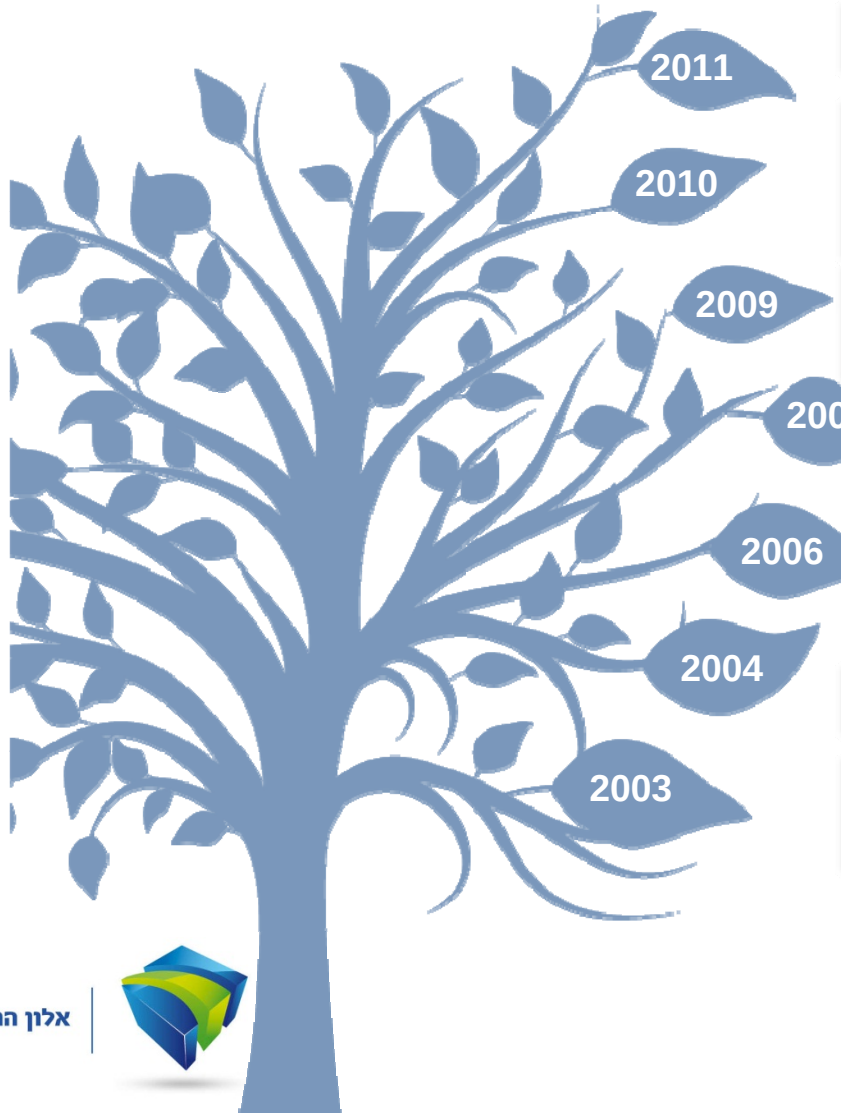
אלון החזקות ברבוע כחול

Executives in the Group

- **David Waissman** Executive Chairman of the Board of Directors and CODM
- **Zeev Vurembrand** COE of Alon Holdings and Mega Retail
- **Israel Yaniv** CEO of Dor Alon
- **Z'eev Stain** CEO of BSRE
- **Shmuel Antzel** CEO of BEE Group
- **Ariel Shraiber** CEO of Alon Cellular

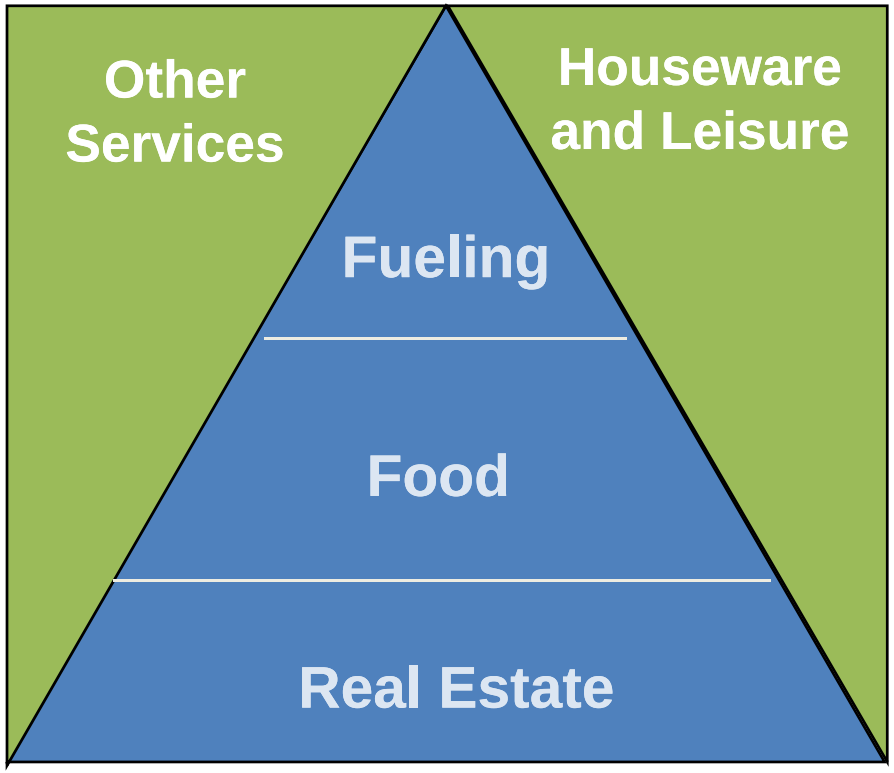
אלון החזקות ברבוע כחול

Step by step – Building the Group



- **2011** – You – Purchase of 49% of Diners Israel
- **2010** – Purchase of Dor Alon – exercise of control and expansion of operations of the convenience stores "Alonit" and "AM-PM"
- **2009** – Implementation of a strategic move in retail food segment
- **2008** – Leadership in the organic food sector in Israel – Eden Teva
- **2006** – Construction of the Real EstateSector
- **2006** – Launching of YOU Club
- **2004** – Entered the world of Non food Retail
- **2003** – Acquisition of shares in Co-op Consumer Society

אלון החזקות ברבוע כחול



אלון החזקות ברבוע כחול

The Food retail sector in the Group

- 40% are HD format, 45% neighborhood and 15% convenience stores.
- Advantage – strategic location in cities and neighborhoods.
- The largest chain of convenience stores in Israel, in cities, “Moshav”, “Kibbutz” and on the road.
- Growing private brand.
- Leading the health food sector with “Eden Teva Market”
- Customer’s Club + partial ownership of a credit card company.

אלון החזקות ברבוע כחול

Fuel Sales

- **Pioneer in the commercial fueling sites and convenience stores.**
- **Unique deployment in the Kibbutz and Moshav.**
- **Most Innovative and growing company in sector.**
- **World-leading International partners (Chevron)**
- **Leading gas supplier in industry and refueling.**

Real Estate Tree

- Approximately 264 thousand sq' meters in 120 assets, about 78% in center Israel.
- Approximately 98.5% of premises are in long term lease agreements.
- Tens of thousands of additional construction rights.
- Traded in Tel Aviv 100 index.
- Income of NIS 200 million from yield properties.

אלון החזקות ברבוע כחול

Housewares and Leisure products

- About 240 independent sales points in Israel.
- Efficiency plan: consolidation of headquarters, transfer to a modern new logistic center caused a NIS 20 million one-time expense.
- Specific treatment of problematic revenue sources.
- Sales in groups supermarkets and convenience stores – utilizing synergy.
- In 2012 exiting non synergistic areas will be examined.
- Appointing an active Executive Chairman of the Board – Shlomo Zohar.

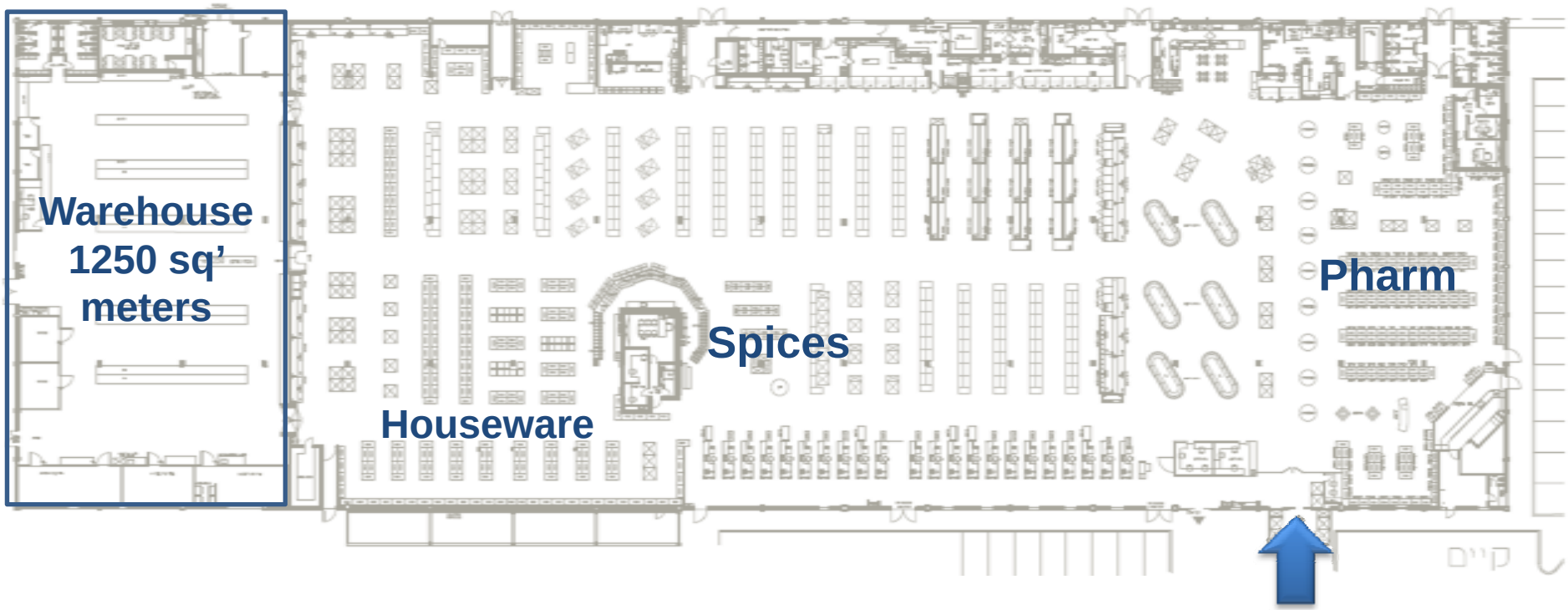
Synergy strengths

- You Club
- Procurement and Logistics.
- Real Estate for supermarkets and development of real estate in collaboration with Dor Alon.
- Selling of houseware and leisure products independently and in branches.
- Internet sales
- Entering the Cellular sector.

Business model and looking forward

- **Increase of revenue on basis of existing fixed overhead.**
- **Utilization of synergy advantages.**
- **Moves to improve the operating profitability.**

Concept store – Holon branch (before)



- **6,800 sq' meters.**
- Shop-in-shops which were operated independently didn't cause a revolution in performance.
- Challenging competition with Hazi Hinam (2 branchs) and Shufersal Deal.

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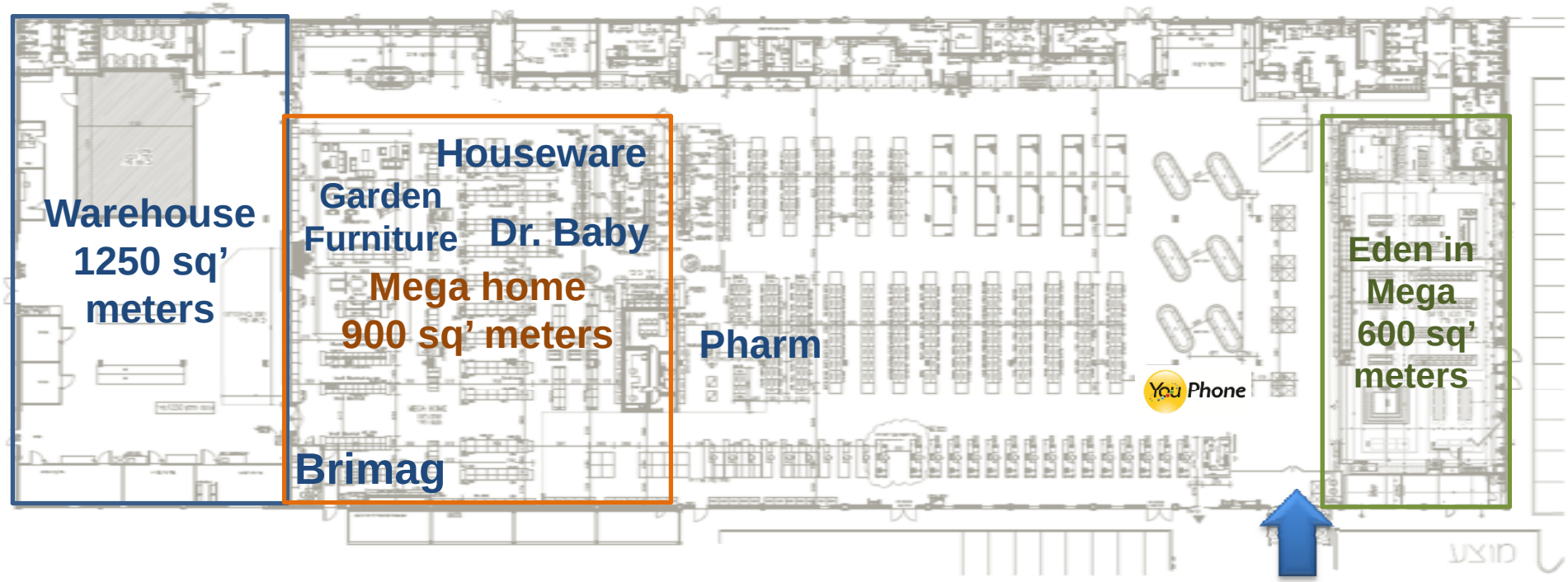
Concept store – Holon branch (after)



- Branch sales area is wide enough to provide HD experience also after the insertion of extra activities, Opening – Today!
- Each component will be set up and operated by professionals in the field.
- The Target – Extra revenue of NIS 1.5 – 2.5 million a month.

אלון החזקות ברבוע כחול

Financial Data

1. Statements of Income for 2011.
2. Segment Reporting.
3. Consolidated Balance Sheet.
4. Financial Liabilities.

אלון החזקות ברבוע כחול

Consolidated Statements of Income

אלון החזקות ברבוע כחול

Consolidated Statements of Income
For the year ended December, 31

	1-12/2010		1-12/2011		Rate of change
Revenues	9,227.5		15,296.3		
Less – government levies	-723.7		-2,813.7		
Net revenues	8,503.7	100.0%	12,482.6	100.0%	46.8%
Cost of sales	6,192.4		9,566.9		
Gross profit	2,311.4	27.2%	2,915.7	23.4%	26.1%
Selling, general and administrative expenses	2,070.0	24.3%	2,628.8	21.1%	27.0%
Operating profit before other gains and losses and changes in fair value of investment property	241.4	2.8%	286.9	2.3%	18.8%
Other gains	3.3		1.4		
Other losses	-28.2		-19.6		
Changes in fair value of investment property , net	32.9		41.9		
Operating profit	249.4	2.9%	310.6	2.5%	24.5%
Finance income	85.9	1.0%	156.8	1.3%	
Finance expenses	-235.8	(2.8%)	-332.8	(2.7%)	
Finance expenses, net	-150.0	(1.8%)	-176.0	(1.4%)	
Share of loss of associates	-.5		5.7		
Income before taxes on income	98.9	1.2%	140.3	1.1%	41.9%
Taxes on income	36.3	36.7%	46.6	33.2%	
Net income for the year	62.6	0.7%	93.7	0.8%	49.7%
Equity holders of the Company	47.8		69.5		
Non-controlling interests	14.8		24.2		

Consolidated Statements of Income
For three month periods ended December 31,

	10-12/2010		10-12/2011		Rate of change
Revenues	3,707.2		3,740.7		
Less – government levies	-723.7		-701.2		
Net revenues	2,983.5	100.0%	3,039.4	.0	1.9%
Cost of sales	2,244.9		2,350.0		
Gross profit	738.6	24.8%	689.4	22.7%	(6.7%)
Selling, general and administrative expenses	689.4	23.1%	672.2	22.1%	(2.5%)
Operating profit before other gains and losses and changes in fair value of investment property	49.2	1.7%	17.1	0.6%	(65.2%)
Other gains	1.4	0.0%	-.3	(0.0%)	
Other losses	-15.1	(0.5%)	-10.8	(0.4%)	
Changes in fair value of investment property , net	14.1		13.8	0.5%	
Operating profit	49.6	1.7%	19.8	0.7%	(60.0%)
Finance income	57.1	0.7%	10.9	0.1%	
Finance expenses	-99.5	(1.2%)	-52.0	(0.4%)	
Finance expenses, net	-42.5	(1.4%)	-41.0	(1.4%)	
Share of loss of associates	.1	0.0%	-.4		
Income before taxes on income	7.2	0.2%	-21.6	(0.7%)	(401.8%)
Taxes on income	5.8	81.1%	34.5	(159.4%)	
Net income for the year	1.4	0.0%	-56.1	(1.8%)	
Equity holders of the Company	-2.0	(147.8%)	-59.3	105.7%	
Non-controlling interests	3.4	247.8%	3.2	(5.7%)	

Segment Reporting

אלון החזקות ברבוע כחול

Segment Reporting IFRS 8
Year ended
December 31, 2011 (NIS in millions)

	Supermarkets	Non-food Retail and wholesale	Real estate	Commercial and fueling sites	Adjustments	Total consolidated
Net segment revenues	6,723.8	425.9	31.0	5,301.9	.0	12,482.6
Inter segment revenues	-	31.8	-	36.1	-67.9	-
Operating profit (loss) before other gains and losses, net and changes in fair value of investment property	177.3	-24.9	15.4	173.7	-31.9	309.6
Rate of operating profit (loss)	2.6%	-5.4%	49.6%	3.3%	0.0%	2.5%
Segment profit	169.7	-35.4	57.3	173.6	-31.9	333.3
Rate of Segment profit	2.5%	-7.7%	184.7%	3.3%	0.0%	2.7%
Unallocated corporate expenses						-22.7
Operating profit						310.6
Depreciation and amortization	159.6	12.0	.0	96.1	6.0	273.7

אלון החזקות ברבוע כחול

Segment Reporting IFRS 8
Fourth quarter of 2011 (NIS in millions)

	Supermarkets	Non-food Retail and wholesale	Real estate	Commercial and fueling sites	Adjustments	Total consolidated
Net segment revenues	1,647.7	82.9	9.1	1,299.7	.0	3,039.4
Inter segment revenues	.0	3.9	.0	12.2	-16.2	.0
Operating profit (loss) before other gains and losses net and changes in fair value, of investment property	25.8	-17.8	5.0	17.5	-8.3	22.3
Rate of operating profit (loss)	1.6%	-21.4%	55.1%	1.3%	0.0%	0.7%
Segment profit	19.4	-22.4	18.8	17.5	-8.3	24.9
Rate of Segment profit	1.2%	-27.0%	206.9%	1.3%	0.0%	0.8%
Unallocated corporate expenses						-5.1
Operating profit						19.8
Depreciation and amortization	39.2	2.6	.0	26.9	1.5	70.2

אלון החזקות ברבוע כחול

Alon Holdings Blue Square Consolidated Statements of Financial Position

אלון החזקות ברבוע כחול

Consolidated Statements of Financial Position
NIS in millions

	December 31	
	2010	2011
Current Assets		
Cash and cash equivalents	126.0	76.5
Investment in securities	310.2	300.1
Short-term deposits	98.1	103.9
Trade receivables	1,731.7	1,586.1
Other accounts receivable	162.6	291.8
Inventories	680.3	676.6
Derivative financial instruments	0.0	2.5
Assets classified as held for sale	0.0	3.6
Income taxes receivable	64.1	125.8
Total Current Assets	3,173.0	3,166.9
Non Current Assets		
Property and equipment, net	2,928.5	2,942.5
Investment property	546.9	576.1
Real estate inventories	83.3	100.0
Payments on account of real estate	164.1	191.6
Investments in securities	30.3	33.2
Loans receivable, net of current maturities	176.0	150.7
Investments in associates	6.0	202.7
Derivative financial instruments	56.1	0.9
Other long-term receivables	47.1	174.3
Intangible assets, net	1,486.7	1,461.1
Deferred taxes	66.0	104.3
Total Non Current Assets	5,591.2	5,937.3
Total Assets	8,764.2	9,104.2

אלון החזקות ברבוע כחול

Consolidated Statements of Financial Position
NIS in millions

	December 31	
	2010	2011
Liabilities		
Current Liabilities		
Credit and loans from banks and others	470.3	1,036.9
Current maturities of debentures and convertible debentures and loans	500.5	524.4
Trade payables	1,342.8	1,243.9
Other accounts payable and accrued expenses	686.4	731.0
Customers' deposits	30.4	27.7
Derivative financial instruments	7.7	2.8
Income taxes payable	7.4	6.3
Provisions	71.9	78.3
Total Current Liabilities	3,117.4	3,651.3
Non Current Liabilities		
Long-term loans from banks and others, net of current maturities	1,399.2	1,184.4
Convertible debentures, net of current maturities	117.8	118.8
Debentures, net of current maturities	2,183.1	2,034.0
Loan from controling interest	129.0	56.1
Other liabilities	71.0	264.6
Derivative financial instruments	9.2	16.7
Liabilities in respect of employee benefits, net of amounts funded	51.5	62.2
Deferred taxes	103.9	162.8
Total long term liabilities	4,064.6	3,899.7
Total liabilities	7,182.0	7,551.0

Consolidated Statements of Financial Position
NIS in millions

	December 31	
	2010	2011
Equity attributable to equity holders of the Company:		
Ordinery Shares	79.7	79.9
Additional paid-in capital	1,218.4	1,219.3
Other reserves	(12.5)	(16.4)
Accumulated deficit	(85.8)	(92.1)
	1,199.8	1,190.7
Non - controlling interests	382.3	362.5
Total Equity	1,582.1	1,553.2
Total Equity and Libilities	8,764.2	9,104.2

אלון החזקות ברבוע כחול

Interim Capitalization, net .
(NIS in millions)
Alon Holdings

	Alon-Solo	
	Dec-10	Dec-11
Current Liabilities		
Current maturities of loans	16.7	17.2
Current maturilies of convertible debentures	10.3	.0
Current maturilies of debentures	8.4	88.2
Short-term credit from banks	40.8	90.4
Total Current Liabilities	76.2	195.8
Non Current Libilities		
Bank loans	184.0	172.6
Debentures	308.4	232.3
Total non Current Liabilites	492.4	405.0
Current Assets		
Cash and cash equivalents	1.9	3.8
Investment in securities	62.3	64.7
Total Current Assets	64.2	68.5
Total Debt, net	504.4	532.3

Thank You