Alon Holdings Blue Square

Company's presentation

Second Quarter, 2012

אלון החזקות ברבוע כחול

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Company Overview

The largest retail group in Israel

Presence in all major consumption areas: Food, Fuel, Real estate, Houseware and Leisure and Telecom

Rated A2 By Midroog	**Listed on Tel Aviv Stock Exchange (TASE:BSI) and New York Stock Exchange (NYSE:BSI)**	**Loyalty club with more than 1 million members**	**App. NIS15 billion annual revenues driven from more than 700 country-wide points of sale**

אלון החזקות ברבוע כחול

Segments

Other segments

Virtual mobile operator (Full MVNO model), tourism, media

Real Estate

App. 264k sqm in 120 properties (mostly rented by the group). About 78% of assets are located in the center of Israel

Non Food

Houseware segment includes Naaman (housewares), Vardinon (Textile) and Sheshet (houseware); Leisure segment includes Kfar hashashuim (Toys) and All for Dollar

Fuel

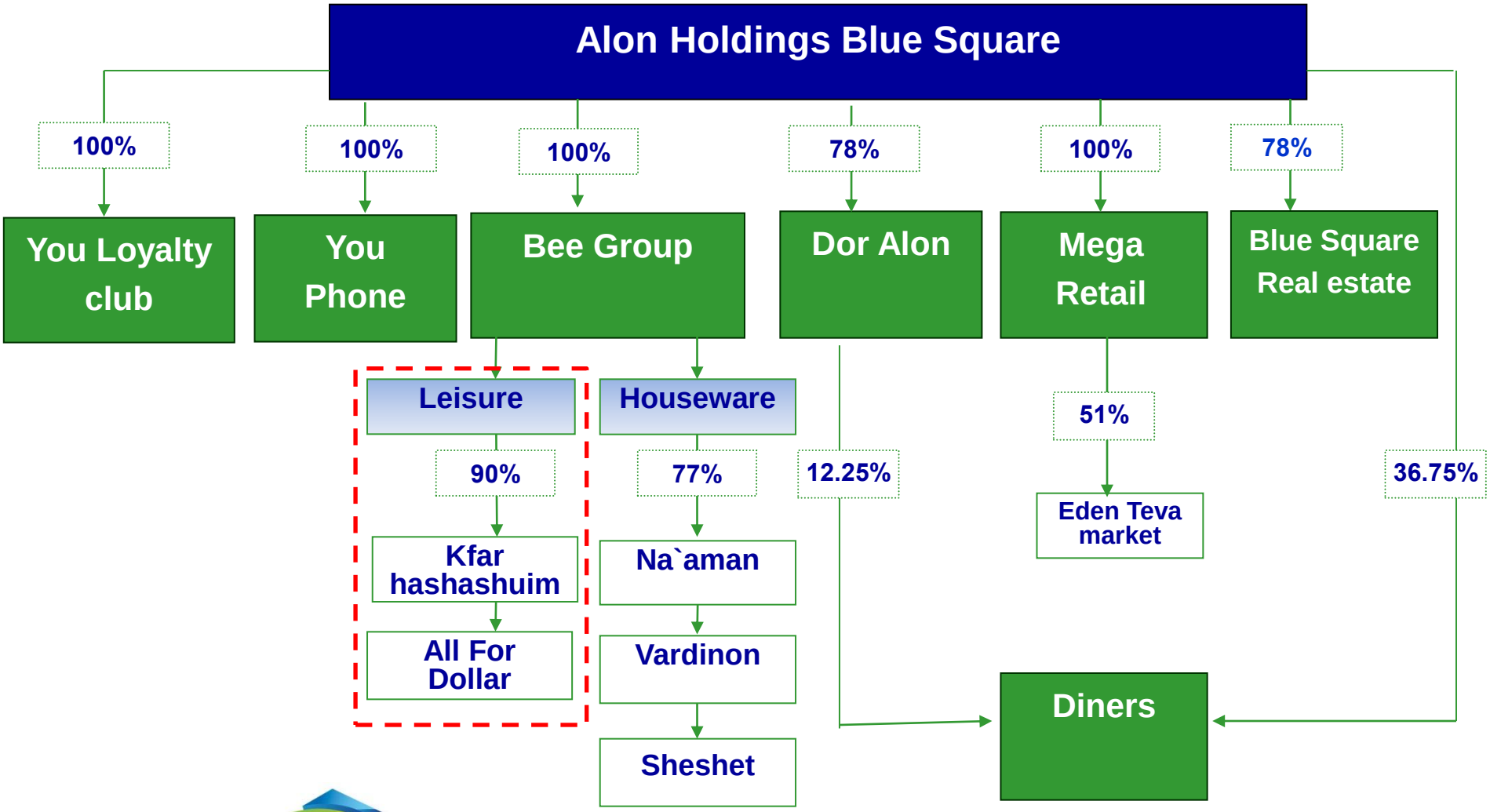
Operating fuel stations and commercial sites, Gas supply for home and industrial purposes

Food

operation with various formats: Mega In The City, Mega Bool, Zol Beshefa, Mega on line, Eden teva market, convenience stores

You loyalty club

Holding Structure



אלון החזקות ברבוע כחול

Business Overview according to segments

אלון החזקות ברבוע כחול

Supermarkets Segment

217 Supermarkets

divided into four formats:

119 Mega in the city stores - neighborhood format

69 Mega Bool stores - HD

18 Zol beshefa stores – HD for ultraorthodox Jews

11 Eden Teva Market stores and 9 stores within Mega stores – Organic and Healthy

Operating a logistic center and setting up another logistic center

Mega on Line – high double digit growth

Total selling space: 386k SQM

Overview – Supermarkets Segment

- Strategy plan for 30 supermarkets
- Self arrangement of shelves
- Efficiency program
- Capitalizing synergies provided by our loyalty club to fuel and cellular activities

Profitability according to store format

Super-markets segment	Operating Profit	Q4/11	Q1/12	Q2/12
		1.6%	1.1%	2.0%

Operating profit margin

	30 stores intended to be sold or move to new HD format	Remaining Stores	All Stores
Second Quarter 2012	-5.3%	3.4%	2.0%

אלון החזקות ברבוע כחול

Fuel Segment

Dor Alon – the market leader and pioneer in fueling cites, self service fuelling and convenience stores

200 public fuel stations, 204 convenience stores (Alonit, AM:PM, Alonit in the Kibuts and Moshav and coffee shops)

The youngest, innovative and growing company in the industry. Required lower investments in maintenance and environment

Leading in gas fuelling

Strong retail activity with a target of NIS1 billion of sales

Strategic partner and unique deployment in the Kibutz and Moshav

Overview – Fuel Segment

- Good handling on eroding fuelling margin
- Strengthening the retail segment
- Developing new commercial fueling cites
- Entering new fields of activity

אלון החזקות ברבוע כחול

Real Estate Segment

Focusing on commercial, logistics and offices yielding assets

Strong and stable cash flow driven by prime located assets (78% of assets are located in the center of Israel)

App. 267k sqm in 120 assets with market value of NIS3 billion

High financial flexibility – NIS2 billion of unpledged assets

Dozens of thousands of undeveloped building rights

High occupancy rate – 98.5% of GLA are rented with long term leases

Listed on TASE100

Overview - Real Estate Segment

- Wholesale market – accomplished acquisition of the land, about 80% of apartments sold, revaluating the commercial part at about NIS100 million
- Development of land plot – Comverse Building
- NOI - NIS 210 million, on a yearly base
  FFO - NIS 108 million, on a yearly base
- Accomplished the development of Kiryat Hasharon

אלון החזקות ברבוע כחול

Non Food Segment

Highly appreciated and leading brands in their segment – Na`aman and Vardinon

About 240 independent selling points across Israel, half are operating thru franchises

The group entered the non food segment in 2004 as a supplement to the food retail

Vardinon Home – Store format combining Na`aman, Vardinon and Sheshet product via the internet

Capitalizing synergies with the group – “shop in shop” in mega supermarkets

Retail and wholesale platforms

Overview – Non Food Segment

- Efficiency program – Consolidation of headquarters, relocation to new logistic center started bearing fruits
- New Chairperson and CEO appointed
- Houseware segment has good results both in wholesale and retail
- Entering new strategic partner to the leisure segment and examining exiting non synergetic ereas

Diners

160k “You” credit cards

226k Diners credit cards

NIS336 millions credit to credit cards holders

Total turnover of NIS2.1 billion in the first half of 2012

Diners Club INTERNATIONAL

Where Your Pleasures Belong

Overview - Diners

- Adequate growth in new “You” credit cards increases customers loyalty
- Maximizing the group synergies with cross segments benefits
- Unique benefits with YouPhone
- Strengthening the non bank customers credit

Financial Results overview

אלון החזקות ברבוע כחול

Consolidated Income Statements
Second Quarter 2012 (NIS millions)

	4-6/2012		4-6/2011		% change
Revenues	4,090.5		3,890.0		5.2%
Less - government levies	-755.4		-681.5		
Net revenues	3,335.1	100.0%	3,208.5	100.0%	3.9%
Cost of sales	2,614.3		2,456.5		6.4%
Gross profit	720.8	21.6%	752.0	23.4%	(4.1%)
Selling, general and administrative expenses	664.5	19.9%	646.0	20.1%	2.9%
Operating profit before other income/losses and changes in fair value of investments property	56.3	1.7%	106.0	3.3%	(46.9%)
Other income	19.8		.0	0.0%	
other losses	-2.0		-4.4	(0.1%)	
Changes in fair value of investment property	81.6		16.4	0.5%	
Operating profit	155.8	4.7%	118.0	3.7%	32.0%
Finance income	17.7	0.5%	86.3	2.7%	
Finance expenses	-113.4	(3.4%)	-101.5	(3.2%)	
Finance expenses, net	-95.7	(2.9%)	-15.2	(0.5%)	
Share of loss in associates	1.2		.1	0.0%	
Income before taxes on income	61.3	1.8%	102.9	3.2%	
Taxes on income	12.8	0.4%	31.1	1.0%	
Net income for the year	48.4	1.5%	71.8	2.2%	

אלון החזקות ברבוע כחול

Consolidated Income Statements
First Half 2012 (NIS millions)

	1-6/2012		1-6/2011		% change
Revenues	7,986.9		7,599.5		5.1%
Less - government levies	-1,473.2		-1,383.9		
Net revenues	6,513.6	100.0%	6,215.6	100.0%	4.8%
Cost of sales	5,094.2		4,734.1		7.6%
Gross profit	1,419.4	21.8%	1,481.5	23.8%	(4.2%)
Selling, general and administrative expenses	1,327.5	20.4%	1,283.7	20.7%	3.4%
Operating profit before other income/losses and changes in fair value of investments property	91.9	1.4%	197.8	3.2%	(53.5%)
Other income	19.8		1.0		
other losses	-2.2		-7.3		
Changes in fair value of investment property	84.3		19.4		
Operating profit	193.9	3.0%	210.9	3.4%	(8.1%)
Finance income	37.4	0.6%	131.3	2.1%	
Finance expenses	-176.3	(2.7%)	-187.3	(3.0%)	
Finance expenses, net	-138.9	(2.1%)	-56.0	(0.9%)	
Share of loss in associates	4.8		1.3		
Income before taxes on income	59.7	0.9%	156.3	2.5%	(61.8%)
Taxes on income	8.5	0.1%	46.8	0.8%	
Net income for the year	51.2	0.8%	109.5	1.8%	(53.2%)

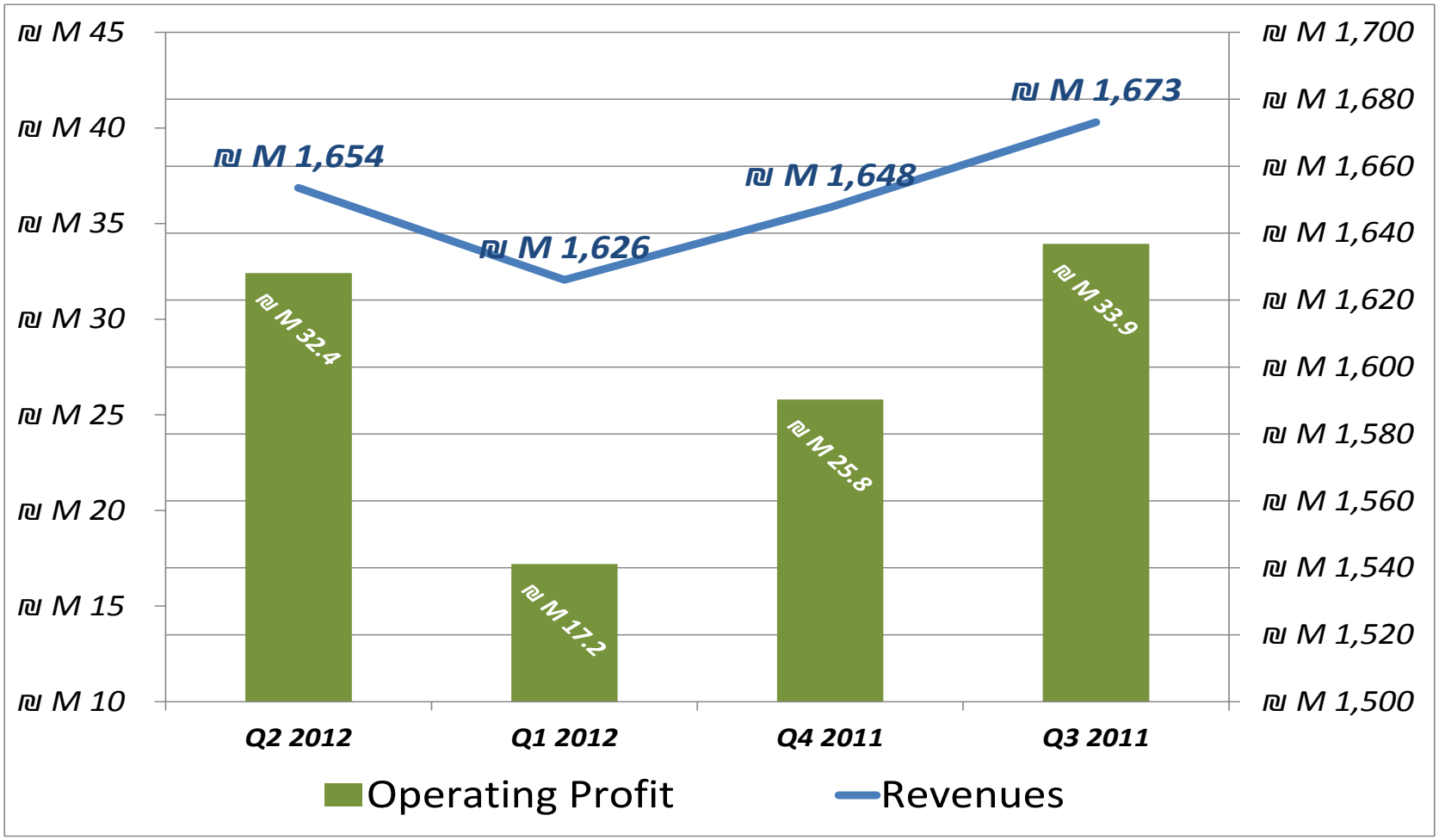
אלון החזקות ברבוע כחול

Segments Reporting
Q2 2012 (NIS in millions)

Segment	Supermarkets	Non-food Retail and Wholesale	Real estate	Commercial and fueling sites	Other	Adjustments	Total
Net segment revenues	1,653.5	96.4	9.0	1,575.8	.4	.0	3,335.1
Inter segment revenues	.0	5.1	.0	8.6	.0	-13.6	.0
Gross profit	445.8	35.6	9.0	234.4	-4.0	.0	720.8
Operating profit (loss) before other gains and losses, net and changes in fair value of investment property	32.4	-7.0	-1.8	54.5	-7.0	-9.1	62.1
operating profit margin	2.0%	-6.9%	-19.8%	3.5%			1.9%
Segment profit	31.4	-7.7	99.5	54.5	-7.0	-9.1	161.6
Segment profit margin	1.9%	-8.0%	1107.2%	3.5%			4.8%
Unallocated corporate expenses							-5.8
Finance expenses, net							-95.7
Share ofprofit in associates							1.2
Income before taxes on income							61.3

אלון החזקות ברבוע כחול

Supermarkets Segment – Last 4 Quarters



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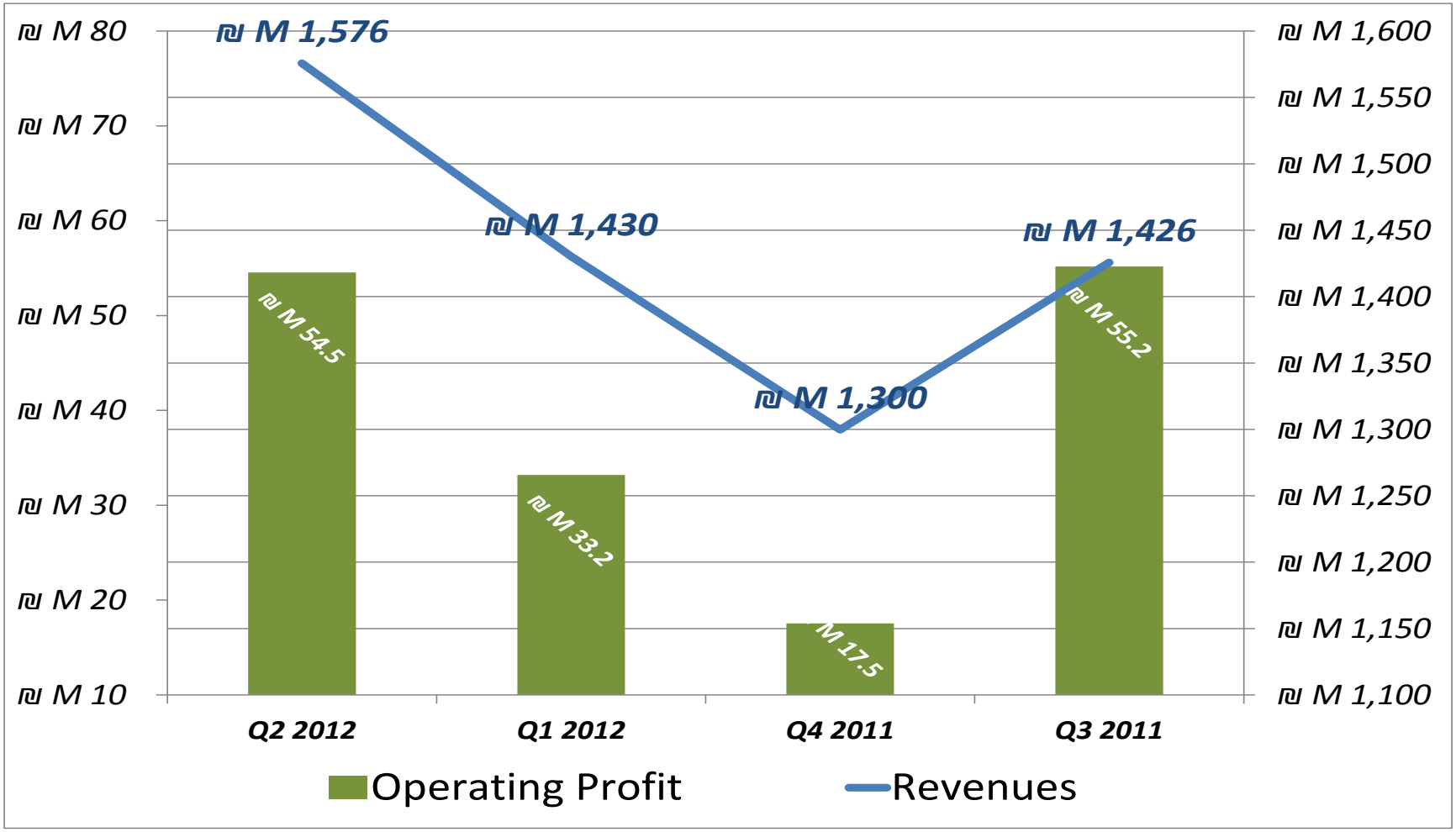
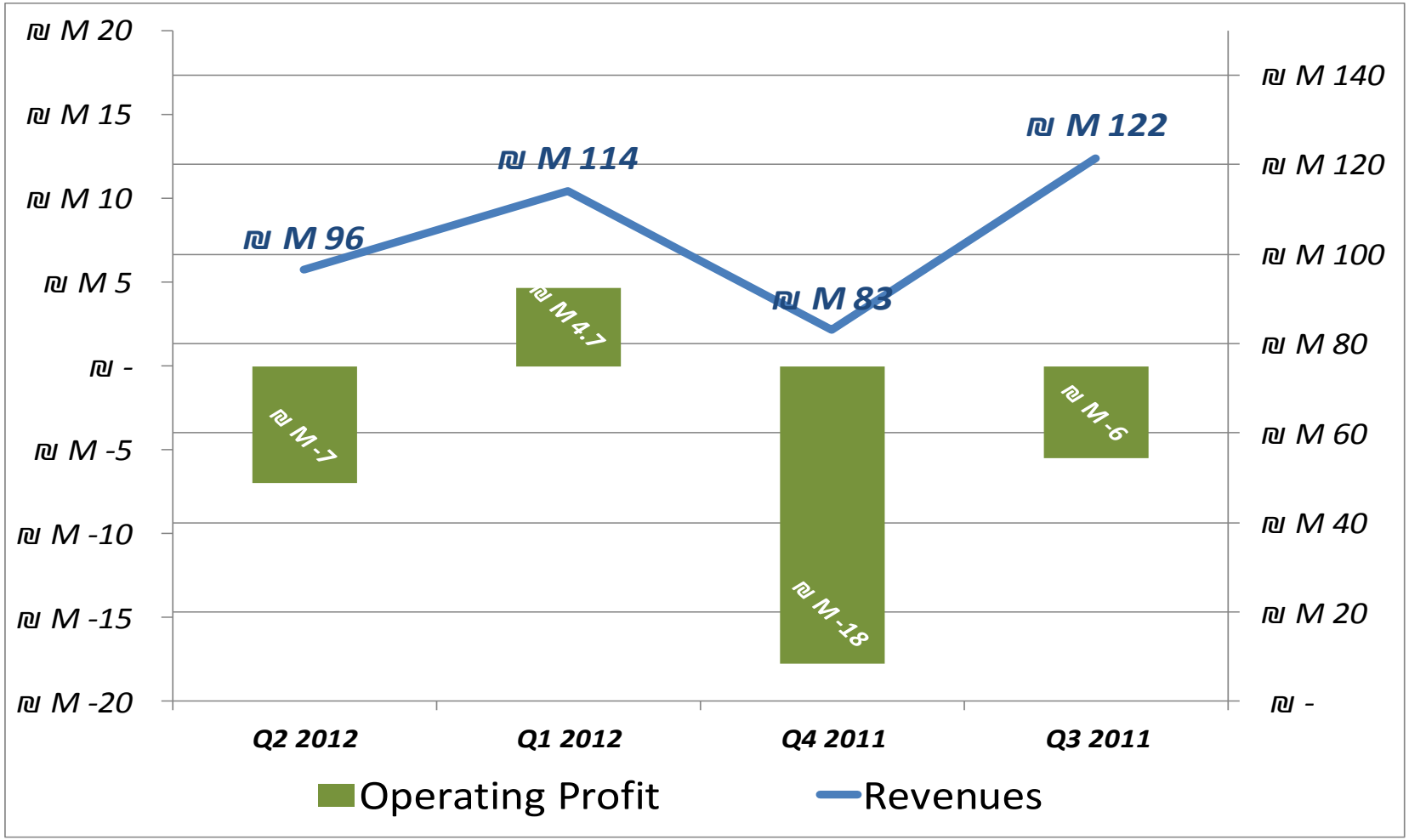
Fuel Segment - Last 4 Quarters



אלון החזקות ברבוע כחול

Non Food Segment - Last 4 Quarters



אלון החזקות ברבוע כחול

Cash Flow

NIS millions	Q2 2012	Q2 2011	H1 2012	H1 2011
Income before changes in fair value of investment property and other income and expenses	56.3	106.0	91.9	197.8
adjustments to net income	42.3	56.1	122.1	131.5
Total	98.6	162.1	214.0	329.3
Investment in real estate inventory	(247.0)	(2.1)	(247.8)	(4.1)
Changes in working capital	(20.2)	79.4	38.6	149.9
Income tax received (paid), net	26.8	(20.9)	16.3	(40.6)
Cash Flow From Operating Activity	(141.8)	218.5	21.1	434.5
Purchase of investment property	(141.1)	(12.5)	(146.4)	(32.9)
Purchase of property, equipment and intangible assets	(61.9)	(73.0)	(154.8)	(132.4)
Net changes in financial assets	(48.3)	(7.7)	(80.7)	(90.9)
Interest received	4.3	7.7	9.4	13.1
Grant of loans to controlling shareholders	(13.6)	1.5	(44.4)	(57.2)
Net outflow from realization of proportionately consolidated company	(3.1)	0.0	(3.1)	0.0
Cash Flow From Investing Activity	(263.8)	(83.9)	(419.9)	(300.3)
Receipt of long-term bonds and loans	529.1	107.0	793.8	109.5
Repayment of long-term bonds and loans	(156.6)	(202.8)	(280.9)	(272.6)
Net changes in short term debt and interest payment	144.3	(22.4)	24.7	58.8
Acquisition of treasury shares and shares from non-controlling interests	0.0	(16.9)	0.0	(20.7)
Cash Flow From Financing Activity	516.9	(135.1)	537.6	(125.0)
Net changes in cash	111.3	(0.5)	138.8	9.2

אלון החזקות ברבוע כחול

Consolidated balance Sheet

NIS millions	30 June 2012	30 June 2011	31 December 2011
Current Assets	3,470.3	3,435.3	3,166.9
Cash, financial assets and deposits	632.7	512.7	480.4
Trade receivables	1,704.6	1,794.8	1,586.2
Inventory	685.9	685.0	676.6
Other	447.1	442.9	423.7
Non-Current Assets	6,116.3	5,761.4	5,937.3
Property and equipment, net	2,947.2	2,936.4	2,942.5
Intangible assets, net	1,460.9	1,468.1	1,461.1
Investment property	935.0	536.4	576.1
Other	773.3	820.3	957.6
Total Assets	**9,586.6**	**9,196.7**	**9,104.2**
Current Liabilities	3,876.1	3,447.7	3,651.3
Short term debt and current maturities	1,663.8	1,111.3	1,561.3
Trade payables	1,343.3	1,432.8	1,243.9
Other	869.0	903.6	846.1
Non-Current Liabilities	4,106.5	4,090.4	3,899.7
Loans and debentures, net of current maturities	3,649.8	3,622.2	3,393.4
Other	456.7	468.2	506.3
Total Liabilities	7,982.6	7,538.1	7,551.0
Total Equity	**1,597.5**	**1,658.6**	**1,553.2**
Total Equity and Liabilities	**9,580.1**	**9,196.7**	**9,104.2**

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Thank You

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