

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of September 2011

ALON HOLDINGS BLUE SQUARE - ISRAEL LTD.
(translation of registrant’s name into English)

2 Amal Street, Rosh Ha’ayin 48092, Israel
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40 F:

Form 20-F ☒ Form 40-F ☐

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

Attached hereto and incorporated by reference are the following documents:

1. Exhibit 99.1: The consolidated financial statements of Alon Holdings Blue Square-Israel Ltd. for the six month period ended June 30, 2011. These financial statements are in addition to the second quarter 2011 results that were contained in a press release, dated August 25, 2011, and submitted via Form 6-K.
2. Exhibit 99.2: Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months and three months ended June 30, 2011.

This Form 6-K is hereby incorporated by reference into Blue Square's Registration Statement on Form S-8 (Registration No. 333-149175).

Alon Holdings Blue Square– Israel Ltd. (hereinafter: "Alon Holdings") is the leading retail company in the State of Israel and operates in four reporting segments: In its supermarket segment, Alon Holdings, through its 100% subsidiary, Mega Retail Ltd., currently operates 209 supermarkets under different formats, each offering a wide range of food products, "Near Food" products and "Non-Food" products at varying levels of service and pricing. In its "Non-Food" segment, Alon Holdings, through its 100% subsidiary BEE Group Retail Ltd., operates specialist outlets in self operation and franchises and offers a wide range of "Non-Food" products as retailer and wholesaler. In the Commercial and Fueling Sites segment, through its 78.38% subsidiary, which is listed on the Tel Aviv stock exchange ("TASE"), Dor Alon Energy in Israel (1988) Ltd is one of the four largest fuel retail companies in Israel based on the number of petrol stations and a leader in the field of convenience stores. Dor Alon operates a chain of 193 petrol stations and 191 convenience stores in different formats in Israel. In its Real Estate segment, Alon Holdings, through its TASE traded 78.26% subsidiary Blue Square Real Estate Ltd., owns, leases and develops yield generating commercial properties and projects.

This Form 6-K contains forward-looking statements within the meaning of safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, plans or projections about our business and our future revenues, expenses and profitability. Forward-looking statements may be, but are not necessarily, identified by the use of forward-looking terminology such as "may," "anticipates," "estimates," "expects," "intends," "plans," "believes," and words and terms of similar substance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual events, results, performance, circumstance and achievements to be materially different from any future events, results, performance, circumstance and achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to: the competitive nature of the markets in which our supermarket, commercial and fueling sites, non-food and real estate businesses operate; economic, political and security conditions in Israel; dependency to a significant extent on a limited number of key suppliers in our supermarket and non-food segments; public protests in Israel against the high cost of living and the establishment of government committees to examine, among other things, the living costs in Israel; price increases in petroleum products and increases in excise taxes; changes in regulatory requirements that may affect the food and fuel industries in Israel, including changes in the marketing margin permitted for the sale of gasoline; dependency on franchisees that own a large portion of our Bee Group stores; failure to obtain or maintain permits required for our food and non-food stores and fueling stations; inability to successfully consolidate our corporate level operations and integrate our new businesses; fluctuations in inflation and currency rates; change in the value of our securities portfolio as a result of a change in the capital markets, interest rates or the status of the companies in whose securities we have invested; tax exposure in connection with asset transfers for which we received pre-rulings from the Israeli Tax Authority; and other risks, uncertainties and factors disclosed in our filings with the U.S. Securities and Exchange Commission (SEC), including, but not limited to, risks, uncertainties and factors identified under the heading "Risk Factors" in our Form 20-F for the year ended December 31, 2010. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 6-K. Except for our ongoing obligations to disclose material information under the applicable securities laws, we undertake no obligation to update the forward-looking information contained in this Form 6-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

September 27, 2011

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.

By: /s/ Ortal Klein
Ortal Klein, Adv.
Corporate Secretary

ALON HOLDINGS BLUE SQUARE - ISRAEL LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
AS OF JUNE 30, 2011

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ALON HOLDINGS BLUE SQUARE - ISRAEL LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011

	December 31, 2010 (Audited)	June 30 20102011 (Unaudited)		Convenience translation (note 2c) June 30, 2011
		NIS		U.S. dollars
	In thousands			
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	125,956	262,517	125,637	36,790
Investment in securities	310,237	431,786	291,867	85,466
Short-term deposits	98,084	-	95,203	27,878
Trade receivables	1,731,747	795,925	1,794,772	525,555
Other accounts receivable	162,599	83,406	299,299	87,643
Derivative financial instruments	-	9,051	-	-
Income taxes receivable	64,094	69,994	89,374	26,171
Inventories	680,296	537,341	684,983	200,581
Assets classified as held for sale	-	-	54,210	15,874
	3,173,013	2,190,020	3,435,345	1,005,958
NON-CURRENT ASSETS:				
Investments in associates	6,012	4,302	7,376	2,160
Derivative financial instruments	56,078	13,818	159,328	46,655
Real estate inventories	83,337	83,342	86,498	25,329
Payments on account of real estate	164,132	-	174,529	51,107
Investments in securities	30,327	-	29,128	8,529
Loans receivable, net of current maturities	176,043	-	143,068	41,894
Property and equipment, net	2,928,515	1,975,758	2,936,440	859,865
Investment property	546,870	447,517	536,438	157,083
Intangible assets, net	1,486,744	410,593	1,468,148	429,912
Other long-term receivables	47,098	117,605	152,008	44,512
Deferred taxes	66,018	40,541	68,401	20,030
	5,591,174	3,093,476	5,761,362	1,687,076
Total assets	8,764,187	5,283,496	9,196,707	2,693,034

<u>September 27, 2011</u>			
Date of approval of the financial statements	David Wiessman Executive Chairman of the Board of Directors and Chief Operating Decision Maker	Zeev Vurembrand Chief Executive Officer	Dror Moran Vice President and Chief Financial Officer

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

	December 31,	June 30		Convenience translation (note 2c) June 30,
	2010	2010	2011	2011
	(Audited)	(Unaudited)		
		NIS		U.S. dollars
	In thousands			
Liabilities and equity				
CURRENT LIABILITIES:				
Credit and loans from banks and others	470,284	308,867	632,273	185,145
Current maturities of debentures and convertible debentures	202,769	76,235	140,980	41,283
Current maturities of long-term loans from banks	297,771	118,920	338,039	98,987
Trade payables	1,342,763	960,840	1,432,815	419,565
Other accounts payable and accrued expenses	686,447	499,513	793,308	232,303
Customers' deposits	30,405	-	28,265	8,277
Derivative financial instruments	7,700	-	6,724	1,969
Income taxes payable	7,431	24	2,253	660
Provisions	71,870	44,274	73,042	21,389
	<u>3,117,440</u>	<u>2,008,672</u>	<u>3,447,699</u>	<u>1,009,578</u>
NON CURRENT LIABILITIES:				
Long-term loans from banks and others, net of current maturities	1,399,159	541,528	1,362,958	399,109
Convertible debentures, net of current maturities	117,801	132,334	119,101	34,876
Debentures, net of current maturities	2,183,093	1,261,208	2,140,119	626,682
Other liabilities	199,983	22,526	266,159	77,938
Derivative financial instruments	9,151	6,241	11,328	3,317
Liabilities in respect of employee benefits, net of amounts funded	51,492	47,728	52,809	15,464
Deferred taxes	103,929	56,345	137,892	40,378
	<u>4,064,608</u>	<u>2,067,910</u>	<u>4,090,366</u>	<u>1,197,764</u>
Total liabilities	<u>7,182,048</u>	<u>4,076,582</u>	<u>7,538,065</u>	<u>2,207,342</u>
EQUITY:				
Equity attributable to equity holders of the Company:				
Ordinary shares of NIS 1 par value	79,712	58,443	79,878	23,390
Additional paid-in capital	1,218,409	1,042,364	1,219,282	357,037
Other reserves	(12,539)	8,024	(22,355)	(6,546)
Retained earnings (accumulated deficit)	<u>(85,760)</u>	<u>(89,118)</u>	<u>6,945</u>	<u>2,033</u>
	1,199,822	1,019,713	1,283,750	375,914
Non - controlling interests	<u>382,317</u>	<u>187,201</u>	<u>374,892</u>	<u>109,778</u>
Total equity	<u>1,582,139</u>	<u>1,206,914</u>	<u>1,658,642</u>	<u>485,692</u>
Total liabilities and equity	<u>8,764,187</u>	<u>5,283,496</u>	<u>9,196,707</u>	<u>2,693,034</u>

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

ALON HOLDINGS BLUE SQUARE - ISRAEL LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX AND THREE MONTHS PERIODS ENDED JUNE 30, 2011

	Year ended December 31,	For the six months ended June 30,		For the three months ended June 30,		Convenience translation (note 2c) for the six months ended June 30,
	2010	2010	2011	2010	2011	2011
	(Audited)	(Unaudited)				(Unaudited)
		NIS				U.S. dollars
	In thousands (except per share data)					
Revenues	9,227,453	3,599,487	7,599,468	1,768,663	3,890,000	2,225,320
Less – government levies	723,709	-	1,383,885	-	681,536	405,237
Net revenues	8,503,744	3,599,487	6,215,583	1,768,663	3,208,464	1,820,083
Cost of sales	6,192,352	2,572,775	4,734,112	1,255,705	2,456,471	1,386,270
Gross profit	2,311,392	1,026,712	1,481,471	512,958	751,993	433,813
Selling, general and administrative expenses	2,069,970	891,642	1,283,690	450,472	645,959	375,898
Operating profit before other gains and losses and changes in fair value of investment property	241,422	135,070	197,781	62,486	106,034	57,915
Other gains	3,258	1,419	1,000	463	-	293
Other losses	(28,188)	(8,528)	(7,284)	(6,340)	(4,375)	(2,133)
Changes in fair value of investment property, net	32,917	13,187	19,445	10,913	16,390	5,694
Operating profit	249,409	141,148	210,942	67,522	118,049	61,769
Finance income	85,852	20,077	131,314	14,764	86,313	38,452
Finance expenses	(235,847)	(76,786)	(187,265)	(57,050)	(101,523)	(54,836)
Finance expenses, net	149,995	56,709	55,951	42,286	15,210	16,384
Share of profit (loss) of associates	(518)	(576)	1,317	-	104	386
Income before taxes on income	98,896	83,863	156,308	25,236	102,943	45,771
Taxes on income	36,287	25,656	46,805	4,123	31,114	13,706
Net income	62,609	58,207	109,503	21,113	71,829	32,065
Attributable to:						
Equity holders of the Company	47,839	47,725	94,947	18,969	64,959	27,803
Non – controlling interests	14,770	10,482	14,556	2,144	6,870	4,262
Earnings per ordinary share or ADS attributed to equity holders of the Company						
Basic	0.96	1.08	1.44	0.43	0.99	0.42
Fully diluted	0.96	1.06	1.41	0.42	0.95	0.41
Weighted average number of shares or ADSs used for computation of income per share:						
Basic	49,590	44,282	65,925	44,590	65,947	65,925
Fully diluted	49,814	44,835	66,395	44,976	66,253	66,395

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

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX AND THREE MONTH PERIODS ENDED JUNE 30, 2011

	Year ended December 31, 2010 (Audited)	For the six months ended June 30		For the three months ended June 30		Convenience translation (note 2c) for the six months ended June 30,
		2010	2011	2010	2011	2011
		(Unaudited)				(Unaudited)
		NIS				U.S. dollars
		In thousands				
Profit for the period:	62,609	58,207	109,503	21,113	71,829	32,065
Other comprehensive income (losses), net of tax:						
Available-for-sale financial assets- revaluation	(8,104)	1,137	(3,436)	2,212	(2,894)	(1,006)
Currency translation differences	(6,406)	1,006	(3,720)	1,006	(1,122)	(1,089)
Actuarial loss on post-employment benefit obligations	(277)	(223)	-	(223)	-	-
Other comprehensive income (losses)	(14,787)	1,920	(7,156)	2,995	(4,016)	(2,095)
Total comprehensive income for the period	47,822	60,127	102,347	24,108	67,813	29,970
Total comprehensive income attributable to:						
Equity holders of the Company	36,800	49,925	89,062	21,949	61,942	26,080
Non-controlling interests	11,022	10,202	13,285	2,159	5,871	3,890

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

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011

	Equity attributable to equity holders of the Company				Non - controlling interests	Total equity
	Ordinary shares	Additional paid-in capital	Other reserves	Retained earnings		
				(accumulated deficit)		
				NIS in thousands		
BALANCE AT JANUARY 1, 2011 (audited)	79,712	1,218,409	(12,539)	(85,760)	1,199,822	382,317
CHANGES DURING THE SIX- MONTHS ENDED						
JUNE 30, 2011 (unaudited):						
Comprehensive income for the period			(5,885)	94,947	89,062	13,285
Employee share-based payment	-	-	-	1,793	1,793	85
Transactions with non-controlling interests	-	-	(3,931)	-	(3,931)	(3,974)
Exercise of options	140	-	-	-	140	-
Issuance of shares upon conversion of convertible debentures	26	873	-	-	899	-
Acquisition of treasury shares	-	-	-	(4,035)	(4,035)	-
Dividends to non – controlling interests of subsidiaries	-	-	-	-	-	(16,821)
BALANCE AT JUNE 30, 2011 (unaudited)	<u>79,878</u>	<u>1,219,282</u>	<u>(22,355)</u>	<u>6,945</u>	<u>1,283,750</u>	<u>374,892</u>

	Equity attributable to equity holders of the Company				Non - controlling interests	Total equity
	Ordinary shares	Additional paid-in capital	Other reserves	Accumulated deficit		
				NIS in thousands		
BALANCE AT JANUARY 1, 2010 (audited)	57,438	1,030,259	5,676	(61,049)	1,032,324	194,400
CHANGES DURING THE SIX- MONTHS ENDED						
JUNE 30, 2010 (unaudited):						
Comprehensive income for the period	-	-	2,348	47,577	49,925	10,202
Employee share-based payment	-	-	-	3,649	3,649	218
Exercise of options	716	-	-	-	716	-
Issuance of shares upon conversion of convertible debentures	289	12,105	-	-	12,394	-
Acquisition of treasury shares	-	-	-	(4,295)	(4,295)	-
Dividends	-	-	-	(75,000)	(75,000)	-
Dividends to non – controlling interests of subsidiaries	-	-	-	-	-	(17,619)
BALANCE AT JUNE 30, 2010 (unaudited)	<u>58,443</u>	<u>1,042,364</u>	<u>8,024</u>	<u>(89,118)</u>	<u>1,019,713</u>	<u>187,201</u>

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

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011

	Equity attributable to equity holders of the Company				Total	Non - controlling interests	Total equity
	Ordinary shares	Additional paid-in capital	Other reserves	Retained earnings (accumulated deficit)			
				NIS in thousands			
BALANCE AT JANUARY 1, 2010 (audited)	57,438	1,030,259	5,676	(61,049)	1,032,324	194,400	1,226,724
CHANGES DURING 2010 (audited):							
Comprehensive income for the period	-	-	(11,272)	48,072	36,800	11,022	47,822
Employee share-based payment	-	-	-	6,512	6,512	322	6,834
Movement in equity as result of business combination	20,328	945,442	-	-	965,770	170,054	1,135,824
Transactions with non-controlling interests	-	-	(6,943)	-	(6,943)	24,138	17,195
Exercise of options	759	-	-	-	759	-	759
Issuance of shares upon conversion of convertible debentures	1,187	42,708	-	-	43,895	-	43,895
Acquisition of treasury shares	-	-	-	(4,295)	(4,295)	-	(4,295)
Dividend	-	(800,000)	-	(75,000)	(875,000)	-	(875,000)
Dividend to non – controlling interests of subsidiaries	-	-	-	-	-	(17,619)	(17,619)

BALANCE AT DECEMBER 31, 2010 (audited)	<u>79,712</u>	<u>1,218,409</u>	<u>(12,539)</u>	<u>(85,760)</u>	<u>1,199,822</u>	<u>382,317</u>	<u>1,582,139</u>
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	Equity attributable to equity holders of the Company				Total	Non - controlling interests	Total equity
	Ordinary shares	Additional paid-in capital	Other reserves	Retained earnings (accumulated deficit)			
				Convenience translation into U.S. dollars in thousands (note 2c)			
BALANCE AT JANUARY 1, 2011 (audited)	23,342	356,781	(3,672)	(25,113)	351,338	111,952	463,290
CHANGES DURING THE SIX- MONTHS ENDED JUNE 30, 2011 (unaudited):							
Comprehensive income for the period	-	-	(1,723)	27,803	26,080	3,890	29,970
Employee share-based payment	-	-	-	524	524	26	550
Transactions with non-controlling interests	-	-	(1,151)	-	(1,151)	(1,164)	(2,315)
Exercise of options	40	-	-	-	40	-	40
Issuance of shares upon conversion of convertible debentures	8	256	-	-	264	-	264
Acquisition of treasury shares	-	-	-	(1,181)	(1,181)	-	(1,181)
Dividends to non – controlling interests of subsidiaries	-	-	-	-	-	(4,926)	(4,926)
BALANCE AT JUNE 30, 2011 (unaudited)	<u>23,390</u>	<u>357,037</u>	<u>(6,546)</u>	<u>2,033</u>	<u>375,914</u>	<u>109,778</u>	<u>485,692</u>

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

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX AND THREE MONTHS PERIODS ENDED JUNE 30, 2011

	Year ended December 31,	For the six months ended June 30,		For the three months ended June 30		Convenience Translation (note 2c) for the six months ended June 30,
	2010	2010	2011	2010	2011	2011
	(Audited)	(Unaudited)				
		NIS				U.S. dollars
		In thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:						
Income before taxes on income	98,896	83,863	156,308	25,236	102,943	45,771
Income tax (paid) received, net	5,741	(7,972)	(40,626)	(23,684)	(20,946)	(11,896)
Adjustment for cash generated from operation (a)	101,192	9,971	318,828	62,793	136,487	93,361
Net cash provided by operating activities	205,829	85,862	434,510	64,345	218,484	127,236
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	(193,474)	(80,590)	(135,312)	(49,329)	(69,778)	(39,623)
Purchase of investment property	(20,720)	(3,641)	(32,859)	(3,299)	(12,518)	(9,622)
Purchase of intangible assets	(34,133)	(13,341)	(8,476)	(6,222)	(3,483)	(2,482)
Proceeds from collection of short-term deposits and other receivables, net	12,401	67	2,881	-	(3,226)	844
Proceeds from sale of property and equipment	1,306	52	11,383	52	293	3,333
Investment in restricted deposits	-	-	(95,406)	-	(8,129)	(27,937)
Proceeds from sale of marketable securities	373,040	116,340	48,424	71,891	28,822	14,180
Investment in marketable securities	(365,091)	(333,292)	(46,800)	(272,606)	(25,128)	(13,704)
Acquisition of subsidiaries	87,219	-	-	-	-	-
Grant of loans to jointly controlled companies	(31,442)	(18,933)	-	(18,933)	-	-
Grant of loans to controlling shareholders	-	-	(62,342)	-	(609)	(18,255)
Payments on account of real estate	(76,884)	(53,466)	-	(53,466)	-	-
Collection of long-term loans receivable	1,565	-	5,114	-	2,087	1,498
Interest received	18,331	9,860	13,082	4,439	7,743	3,831
Net cash used in investing activities	(227,882)	(376,944)	(300,311)	(327,473)	(83,926)	(87,937)

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

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX AND THREE MONTHS PERIODS ENDED JUNE 30, 2011

	Year ended December 31,	For the six months ended June 30,		For the three months ended June 30		Convenience Translation (note 2c) for the six months ended June 30,
	2010	2010	2011	2010	2011	2011
	(Audited)	(Unaudited)				
		NIS				U.S. dollars
CASH FLOWS FROM FINANCING ACTIVITIES:						
Acquisition of treasury shares	(4,295)	(4,295)	(4,035)	-	(82)	(1,181)
Dividend paid to Company shareholders	(875,000)	(75,000)	-	-	-	-
Dividend paid to non- controlling interests	(17,619)	(17,619)	(16,821)	(3,321)	(16,821)	(4,926)
Repayment of debentures	(2,155)	(27)	(138,559)	(27)	(136,254)	(40,574)
Transactions with non-controlling interests without loss of control	17,195	-	-	-	-	-
Issuance of debentures	205,035	-	-	-	-	-
Receipt of long-term loans	470,600	4,500	109,547	4,500	107,000	32,078
Repayment of long-term loans	(165,014)	(73,409)	(126,110)	(34,773)	(66,551)	(36,928)
Repayment of long term credit from payables	(1,740)	(870)	(870)	(435)	(435)	(255)
Short-term credit from banks and others, net	(52,404)	166,273	169,990	58,583	32,669	49,777
Receipt of loans from controlling shareholders	90,000	-	-	-	-	-
Proceeds from exercise of options in the Company	759	716	140	86	16	40
Acquisition of shares from non- controlling interests	(24,557)	-	(7,927)	-	-	(2,321)
Settlement of forward contracts	21,248	-	-	-	-	-
Interest paid	(147,532)	(58,486)	(110,348)	(19,840)	(54,637)	(32,313)
Net cash provided by (used in) financing activities	(485,479)	(58,217)	(124,993)	4,773	(135,095)	(36,603)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS	(507,532)	(349,299)	9,206	(258,355)	(537)	2,696
Translation differences on cash and cash equivalents	(71)	82	(2)	82	10	-
BALANCE OF CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS AT BEGINNING OF PERIOD	611,734	611,734	104,131	520,790	113,862	30,492
BALANCE OF CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS AT END OF PERIOD	104,131	262,517	113,335	262,517	113,335	33,188

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

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX AND THREE MONTHS PERIODS ENDED JUNE 30, 2011

	Year ended December 31	For the six months ended June 30,		For the three months ended June 30		Convenience Translation (note 2c) for the six months ended June 30,
	2010	2010	2011	2010	2011	2011
	(Audited)			(Unaudited)		
		NIS				U.S. dollars
(a) Adjustment for cash generated from operation						
Adjustments for:						
Depreciation and amortization	206,945	87,291	135,872	44,086	67,934	39,787
Increase in fair value of investment property, net	(32,917)	(13,187)	(19,445)	(10,913)	(16,390)	(5,694)
Share in losses (gains) of associates, net of dividends received	518	576	(880)	-	(104)	(258)
Share based payment	6,834	3,867	1,878	2,000	764	550
Loss from sale and disposal of property and equipment, net	5,962	867	612	719	1,259	179
Provision for impairment of property and equipment, net	946	369	1,305	245	928	382
Changes in fair value of derivative financial instruments	(8,029)	556	(103,525)	(2,468)	(77,328)	(30,315)
Linkage differences on monetary assets, debentures, loans and other long term liabilities	57,626	10,626	69,427	22,690	41,077	20,330
Employee benefit liability, net	2,371	206	1,318	(1,128)	545	386
Decrease (increase) in value of investment in securities, deposits and long-term receivables, net	(15,013)	(1,567)	2,353	(2,195)	873	689
Interest paid, net	118,311	48,626	84,109	15,401	39,649	24,629
Changes in operating assets and liabilities:						
Investment in real estate inventories	(87,092)	(82,485)	(4,100)	(82,485)	(2,117)	(1,201)
Payments on account of real estate inventories	(71,564)	(39,188)	(3,674)	(39,188)	(2,609)	(1,076)
Decrease (increase) in trade receivables and other accounts receivable	(53,264)	(6,699)	(136,030)	301,282	187,684	39,833
Decrease (increase) in inventories	(49,910)	(22,483)	(4,687)	13,607	66,869	(1,373)
Advances from purchasers of apartments	-	-	95,406	-	9,314	27,937
Increase (decrease) in trade payables and other accounts payable	19,468	22,596	198,889	(198,860)	(181,861)	58,242
	101,192	9,971	318,828	62,793	136,487	93,361

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

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX AND THREE MONTHS PERIODS ENDED JUNE 30, 2011

	For the Year ended December 31, 2010 (Audited)	For the six months ended ended June 30, 20102011		For the three months ended ended June 30, 20102011 (Unaudited)		Convenience Translation (note 2c) for the six months ended June 30, 2011
		NIS				U.S. dollars
(b)	In thousands					
Supplementary information on investing and financing activities not involving cash flows:						
Issuance of shares upon conversion of convertible debentures of the Company	43,895	12,394	899	-	899	264
Purchase of property and equipment and investment properties on credit	37,084	12,338	11,742	12,338	11,742	3,438
Advances from customers deposited in restricted use deposit	22,428	-	755	-	755	221

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

NOTE 1 - GENERAL:

Information on the activities of Alon Holdings Blue Square - Israel Ltd and its subsidiaries

Alon Holdings Blue Square-Israel Ltd. (formerly Blue Square – Israel Ltd.) ("Blue Square") is an Israeli corporation, which, directly and through its subsidiaries (together - the Company) mainly operates in Israel. All references to the Company include, unless the context otherwise indicates, Blue-Square and its subsidiaries. Upon completion of the acquisition of Dor Alon, the Company operates in four reportable segments: (1) Supermarkets, (2) Non-food Retail and Wholesale, (3) Real Estate and (4) Commercial and fueling sites. As to segment data see note 7.

Alon Holdings Blue Square – Israel Ltd. is a limited public company incorporated and domiciled in Israel, whose ADSs and shares are listed for trading on the New-York Stock Exchange (the "NYSE") and on the Tel-Aviv Stock Exchange (the "TASE").

The Company is controlled by Alon Israel Oil Company Ltd ("Alon"). The address of its registered office is 2 Amal St., Afek Industrial Zone, Rosh Ha'ayin, Israel.

As more fully mentioned in note 5 to the Company's 2010 annual financial statements, on October 3, 2010 the Company acquired approximately 80% of the shares in Dor Alon Energy in Israel (1988) Ltd ("Dor Alon"). This subsidiary is fully consolidated as from that date. Thus, the financial statements as of June 30, 2010 and for the three month and six month periods then ended do not include the assets, liabilities and the results of Dor Alon.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

a) Statements of compliance

The condensed consolidated interim financial statements of the Company as of June 30, 2011 and for the six and three month periods ended on that date (hereinafter - the interim financial statements) have been prepared in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (hereafter – "IAS 34"). These interim financial statements, which are unaudited, do not include all disclosures necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements as at December 31, 2010 and for the year then ended and their accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

b) Changes in the exchange rates of the U.S. dollar and the Israeli CPI in the reported periods

	Exchange rate of the US dollar	Israel CPI
	%	%
Six-month period ended June 30:		
2011	(3.9)	2.2
2010	2.6	0.4
Three-month period ended June 30:		
2011	(1.9)	1.3
2010	4.4	1.3
Year ended December 31, 2010	(6)	2.3

The exchange rate of the US dollar at June 30, 2011 is US\$1 = NIS 3.415

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued):

c) Convenience translation into U.S. dollars

The condensed financial statements as of June 30, 2011 and for the six month period then ended have been translated into U.S. dollars using the representative rate of exchange at that date (U.S. \$ 1 = NIS 3.415). The translation was made solely for the convenience of the reader.

The U.S. dollar amounts presented in these financial statements should not be construed to represent amounts receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES:

- a. The accounting policies used in preparation of the interim financial information are consistent with 2010 annual financial statements except as described below;

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

- b. As specified in the annual financial statements of the Company for the year 2010, standards, amendments and interpretations to existing standards came into effect and are effective for reporting period commencing on January 1, 2011, but first time implementation of these standards and interpretations had no material effect on the financial information for the interim period (including comparative figures) of the Company.
- c. Additional new standards and amendments to existing standards that are not yet in effect and that the Company elected not to early adopt are listed in the company's 2010 annual financial statements.

NOTE 4 - EFFECT OF SEASONALITY:

The Company's operations are characterized by the effect of the timing of the Jewish religious holidays, in particular "Rosh-Hashanah" (New Year) and "Passover", with increases of sales in the quarters when these holidays take place. In view of this, the results for the three-month period ended June 30, 2011 do not necessarily provide an indication of the results to be expected for the entire year ended December 31, 2011.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 5 - SHARE CAPITAL:

- a. In the six month period to June 30, 2011, additional convertible debentures with a par value of NIS 167,000 were converted to 27,399 shares of the Company. In addition, 140,000 shares were issued upon the exercise of employee share options.
- b. Following approval by the Company's Audit Committee and Board of Directors, on March 24, 2011 and April 27, 2011 the Company purchased 117,545 of its own shares ("treasury shares") from employees, which shares were acquired by the executives upon their exercise of vested options granted to them under the Company's 2008 Share Option Plan. The total amount paid by the Company for such shares was NIS 4 million. The amount paid by the Company to the employees for the shares are deemed a distribution by the Company for purposes of Israeli law, and the payment reduced the amount available for distribution as dividends to shareholders.
- c. On March 22, 2011 the Company granted 290,000 options for shares in the Company of the 2008 plan to key management. The exercise price of the options is NIS 36.51 per option. The terms of the 2008 plan apply to these options.

NOTE 6 - RELATED-PARTY BALANCES

	December 31,	June 30	
	2010	2010	2011
	(Audited)	(Unaudited)	
	NIS in thousands		
Trade receivables	-	(*) 67,472	-
Other receivables- Including loan to controlling shareholder	33,901	7,166	109,030
Loan receivable	37,300	-	37,934
	71,201	74,638	146,964
Trade payables	95,561	71,819	86,027
Other payables	327	263	16,257
Long- term loan from controlling shareholder	129,000	-	129,000
	224,888	72,082	231,284

(*) The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 7 - SEGMENT DATA:

The Company includes segment information according to IFRS 8. The Company's chief operating decision maker reviews the Company's internal reports in order to evaluate performance and allocate resources. Company's management has set the operating segments based on the internal reports. The Company presents four reportable segments: Supermarkets, Commercial and fueling sites, Non-food (Retail and Wholesale) and Real estate. Most of the Company's activities are located in Israel. Selling, general and administrative expenses of Head Quarters operations and financial income and expenses are not included in the results of each of the operating segments. Additional data provided to the chief operating decision maker apart from the data provided below is measured in a manner that corresponds to the method of measurement used in the financial statements.

- (1) Supermarkets – The Company operates the second largest food retail chain in Israel. Through its subsidiary, Mega Retail Ltd. ("Mega Retail"), which operates Supermarket branches, the Company offers a wide range of food and beverage products and “Non-food” items, such as houseware, toys, small electrical appliances, computers and computer accessories, entertainment and leisure products and textile products and “Near-Food” products, such as health and beauty aids, products for infants, cosmetics and hygiene products. As of June 30, 2011, Mega Retail operated 209 supermarkets. This segment also includes properties owned through Blue Square Real Estate ("BSRE"), in connection with the supermarket operation of Mega Retail's stores (including warehouses and offices).
- (2) Commercial and fueling sites – Through its subsidiary Dor-Alon the Company is engaged in the development, construction and operation of vehicle fueling stations, adjacent commercial centers and independent convenience stores, marketing of fuel products and other products through the fueling stations and convenience stores and direct marketing of distillates to customers. The commercial and fueling sites segment is presented according to the published financial statements of Dor-Alon, with reclassification of credit card fees and with the amortization of the excess of cost arising at the time of acquisition allocated to the reconciliation between the operating profit of the segment and the total operating profit.
- (3) Non-food (Retail and Wholesale) –Mostly through its subsidiary, BEE Group Retail Ltd. ("BEE Group"), the Company is engaged in non-food retail and wholesale activities. As of June 30, 2011, the Company operated 263 non-food retail outlets, mostly through franchisees, with specialties in houseware and home textile, toys, leisure, and infant. This segment also includes properties owned through Blue Square Real Estate ("BSRE") which are used by the segment.
- (4) Real Estate - Through its subsidiary BSRE the Company is engaged in generating yield from commercial centers, logistics centers and offices, land for the purpose of capital appreciation and deriving long-term yield as well as in the development of the "Wholesale Market" residency project.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 7 - SEGMENT DATA (continued):

	Supermarkets	Non - food Retail and wholesale	Real estate	Commercial and fueling sites	Adjustments	Total consolidated
	NIS in thousands					
Six months ended June 30, 2011 (unaudited):						
Net segment revenues	3,402,999	221,374	14,713	2,576,497	-	6,215,583
Inter segment revenues	-	20,367	-	14,608	(34,975)	-
Operating profit (loss) before other gains and losses net and changes in fair value of investment property	117,601	(1,622)	6,303	100,973	(13,818)	209,437
Segment profit	116,288	(6,527)	25,749	100,908	(13,818)	222,600
Unallocated corporate expenses						(11,658)
Financial expenses, net						(55,951)
Share in profits of associates						1,317
Income before taxes on income						156,308

	Supermarkets	Non-food Retail and wholesale	Real estate	Commercial and fueling sites	Adjustments	Total consolidated
	NIS in thousands					
Six months ended June 30, 2010 (unaudited):						
Net segment revenues	3,364,527	224,206	10,754	-	-	3,599,487
Inter segment revenues	-	27,610	-	-	(27,610)	-
Operating profit before other gains and losses net and changes in fair value of investment property	130,234	12,792	4,343	-	(85)	147,284
Segment profit	126,333	9,583	17,531	-	(85)	153,362
Unallocated corporate expenses						(12,214)
Financial expenses, net						(56,709)
Share in losses of associates						(576)
Income before taxes on income						83,863

	Supermarkets	Non - food Retail and wholesale	Real estate	Commercial and fueling sites	Adjustments	Total consolidated
	NIS in thousands					
Three months ended June 30, 2011 (unaudited):						
Net segment revenues	1,766,464	105,302	8,441	1,328,257	-	3,208,464
Inter segment revenues	-	10,551	-	7,125	(17,676)	-
Operating profit (loss) before other gains and losses net and changes in fair value of investment property	68,029	(4,361)	3,790	50,644	(6,352)	111,750
Segment profit	66,716	(7,374)	20,180	50,579	(6,336)	123,765
Unallocated corporate expenses						(5,716)
Financial expenses, net						(15,210)
Share in profits of associates						104
Income before taxes on income						102,943

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 7 - SEGMENT DATA (continued):

	<u>Supermarkets</u>	<u>Non – food Retail and wholesale</u>	<u>Real estate</u>	<u>Commercial and fueling sites</u>	<u>Adjustments</u>	<u>Total Consolidated</u>
	<u>NIS in thousands</u>					
Three months ended June 30, 2010 (unaudited):						
Net segment revenues	1,674,632	88,691	5,340	-	-	1,768,663
Inter segment sales	-	10,855	-	-	(10,855)	-
Operating profit (loss) before other gains and losses net and changes in fair value of investment property	70,617	(5,713)	3,373	-	1,138	69,415
Segment profit	67,971	(8,946)	14,287	-	1,138	74,450
Unallocated corporate expenses						(6,929)
Financial expenses, net						(42,281)
Share in losses of associates						(4)
Income before taxes on income						<u>25,236</u>

	<u>Supermarkets</u>	<u>Non – food Retail and wholesale</u>	<u>Real estate</u>	<u>Commercial and fueling sites</u>	<u>Adjustments</u>	<u>Total Consolidated</u>
	<u>NIS in thousands</u>					
Year ended December 31, 2010 (audited):						
Net segment revenues	6,894,978	438,623	25,162	1,144,981	-	8,503,744
Inter segment revenues	-	43,444	-	8,339	(51,783)	-
Operating profit (loss) before other gains and losses net and changes in fair value of investment property	241,942	(7,189)	(4,843)	42,936	(9,424)	263,422
Segment profit	232,944	(19,519)	28,073	39,335	(9,424)	271,409
Unallocated corporate expenses						(22,000)
Financial expenses, net						(149,995)
Share in losses of associates						(518)
Income before taxes on income						<u>98,896</u>

	<u>Supermarkets</u>	<u>Non - food Retail and wholesale</u>	<u>Real estate</u>	<u>Commercial and fueling sites</u>	<u>Adjustments</u>	<u>Total Consolidated</u>
	<u>Convenience translation to U.S dollar in thousands</u>					
Six months ended June 30, 2011 (unaudited):						
Net segment revenues	996,486	64,824	4,308	754,465	-	1,820,083
Inter segment revenues	-	5,964	-	4,277	(10,241)	-
Operating profit (loss) before other gains and losses net and changes in fair value of investment property	34,437	(475)	1,846	29,567	(4,046)	61,329
Segment profit	34,052	(1,911)	7,540	29,548	(4,046)	65,183
Unallocated corporate expenses						(3,414)
Financial expenses, net						(16,384)
Share of losses of associates						386
Income before taxes on income						<u>45,771</u>

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 8 – EVENTS DURING THE PERIOD:

- a. In February 2011 Na'aman Porcelain Ltd ("Na'aman") published an offer to purchase the balance of the shares (2.6 million shares) of Vardinon Textiles Ltd ("Vardinon") it does not already own in consideration for NIS 7.9 million. On March 15, 2011, the acquisition was completed and the Vardinon shares were delisted from the Tel Aviv stock exchange.
- b. On March 13, the subsidiary Alon Cellular, received a license from the Ministry of Communication to operate as a mobile virtual network operator (MVNO). In connection with the Company's plans to enter the cellular communications market by becoming an MVNO, on March 23, 2011 Alon Cellular signed a memorandum of understanding with Partner Communications Ltd. for launching cellular services in an MVNO model, which will enable Alon Cellular to offer cellular services and become a major player in Israel's communications market.
- c. On March 10, 2011, a joint venture of Dor Alon and a third party has entered into a memorandum of understanding with Sugat Sugar Refineries Ltd ("Sugat") to construct a cogeneration facility by the joint venture (on land that will be leased to the joint venture by Sugat) to produce up to 110 Watt. Through the facility the joint venture will produce steam, electricity and carbon dioxide that will be produced in the facility also to third parties. In addition, the memorandum of understanding set out that the joint venture would connect Sugat's factory to the natural gas network, will convert Sugat's existing energy facility to a dual facility allowing using either crude oil or natural gas, will operate and maintain the existing energy facility for Sugat, all in accordance with the terms and times set out in the memorandum of understanding.
- d. Amendment to Diners agreement

As mentioned in note 31a of the 2010 annual report, in 2006, Dor Alon Energy in Israel (1988) Ltd. (hereafter – Dor Alon) and Blue Square (hereafter jointly referred to as the "Purchasers") entered into an agreement with Credit Cards for Israel Ltd. ("C.A.L.") and a subsidiary of CAL Diners Club Israel Ltd. ("Diners Israel").

Under the agreement, the purchasers were to purchase from C.A.L. 49% of the issued share capital of Diners Israel, subject to milestones set in the agreement, in consideration for a loan secured by the Diners shares.

Under the agreement with CAL, the Blue Square and Dor Alon were entitled to share with C.A.L. the net income of Diners Israel in connection with the activities of the credit cards bearing the "You" name based on the respective ownership interests in Diners Israel. In addition, the Blue Square and Dor Alon signed an agreement with C.A.L. pursuant to which Loyalty Plan members are to be issued Mastercard "You" credit cards that will be treated the same as the Diners "You" credit cards for the purpose of Blue Square's agreement with Dor Alon. As further mentioned at the said note, on May 25, 2011, management agreed to an amendment to the agreement of principles between C.A.L., Diners Israel, Blue Square, Dor Alon, and the Alon Holdings-Dor Alon Joint Loyalty Plan Partnership, pursuant to which the Blue Square and Dor Alon would have the right to 49% of the profits of Diners Israel Ltd., both related to the "You" bearing credit cards, and to all other credit cards issued by Diners, effective as of January 1st, 2011 (with the exception of certain activities the profits of which will be allocated to the parties per their respective holdings from July 1st, 2011).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 8 – EVENTS DURING THE PERIOD (continued):

Additionally, the amendment sets the terms as to the business relationship between the parties and extends the agreement until December 31, 2011 following which the agreement will be extended for additional three year terms based on the terms and conditions set in the amendment to the agreement. The amendment also sets a calculation method for the purchasing the 49% of Diners owned by the Blue Square and by Dor Alon, should the agreement between Diners and the Loyalty club not be extended.

As under IAS 39 the said agreement was treated as derivative which is carried at fair value through profit or loss, during the three and six month periods ended June 30, 2011, the Company recorded a pre-tax income of approximately NIS 70 million and NIS 100 million, respectively, to the financial income item in the statements of income.

In July 2011, all suspending conditions set forth in the agreement were completed, the amendment to the agreement came into effect and the Purchasers repaid the Loan amounting to NIS 36 million to C.A.L. As a result, commencing July 2011, the Company will account for its investment in Diners shares by the equity method.

- e. On July 4, 2011 Blue Square Real Estate (Hereafter - BSRE) and Harel Insurance Company Ltd. (hereafter – Harel) signed an agreement whereby Harel acquired half of the BSRE's rights in an investment property located in Kiryat Hasharon-Netanya (which a commercial center is currently being erected on) in consideration for NIS 50.6 million. In the second quarter of 2011 the company recorded gain from changes in fair value of the said investment property in the amount of NIS 16 million to the statement of income.

NOTE 9 – CONTINGENCIES:

Contingencies related to Mega Retail

- a. In September 2011, a claim and request to recognize it as a class action was filed against the Mega Retail Ltd. ("Mega"). The total amount of the claim is NIS 58 million. The action referred to the offering of Huggies Pure Wet Wipes and Materna Premium in packages designated as "economy packs" while in practice, as argued by the claimant, the price per unit did not reflect any saving compared with the ordinary packages of these products. The action relied on a previous indictment filed against Mega which had been settled with a plea bargain. The claim also demands that the court order Mega to provide information on the products' sales scope.
The Company is currently reviewing the Claim and denying all above allegations. However, at this time, given this matter is preliminary in nature, our financial statements currently does not provide for any amount. We will continue to assess this matter as the request for the class action develops.

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NOTE 9 – CONTINGENCIES (continued):

- b. In September 2011, a claim and request to recognize it as a class action was filed against Mega relating to the sale of products which, as argued by the claimant, are subject to the Product and Service Price Regulation Order (Maximum Prices for Milk and Milk Products) (the "Order"). The law suit claims that since the products carry special kosher certifications they are offered at prices higher than the maximum prices allowed according to the Order. The claim was also filed against Tnuva and two competing supermarket chains. The damages sought from Mega are NIS 6 million.
The Company is currently reviewing the Claim and denying all above allegations. However, at this time, given this matter is preliminary in nature, our financial statements currently does not provide for any amount. We will continue to assess this matter as the request for the class action develops.
- c. In September 2011, a claim was filed against Mega and Shufersal along with a request to be approved as a class action in relation to the issuance and sale of purchase vouchers. The action consists of two claims: 1. The designation of an expiration date to the vouchers constitutes a "depriving condition" in a standard contract and is therefore invalid; and 2. The voucher provision that a consumer who uses vouchers to pay for his purchase can be given change only for vouchers redeemable in the same store constitutes a "depriving condition" and is therefore invalid. The claimant asked for declaratory relief that these provisions are invalid, as well as for damages calculated by the court, taking into account all holders of vouchers and/or shoppers who have used the vouchers over the past 7 years.
The Company is currently reviewing the Claim and denying all above allegations. However, at this time, given this matter is preliminary in nature, our financial statements currently does not provide for any amount. We will continue to assess this matter as the request for the class action develops.
- d. In July 2011, a claim and request to recognize it as a class action was filed against Mega, claiming that it misleads its consumers to think that the 500 gram and 75 gram white cheese packages manufactured by Strauss and Tnuva which are labeled as "Economy Packs" are sold at a discount compared with 250-gram packages.
The appellant argues that the damage incurred by all members of the class totals approximately NIS 28 million. It is also requested to issue an affirmative order to instruct the respondent to provide its clients, who buy the larger packages, a significant discount of at least 20% compared with the price per unit of the product in the smaller package.
The Company is currently reviewing the Claim and denying all above allegations. However, at this time, given this matter is preliminary in nature, our financial statements currently does not provide for any amount. We will continue to assess this matter as the request for the class action develops.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 9 – CONTINGENCIES (continued):

- e. In July 2011, a claim and request to recognize it as a class action was filed against Mega, claiming the respondent chose to unjustly grow richer at the expense of the consumers by selling large packages of goods which were labeled as "economy packs", but has not lowered the price of the larger package, thus forcing the consumers to buy a more expensive product instead of sufficing for an ordinary package. The appellant argues that the financial damage incurred by all class members is NIS 15 million. The appellant further argues that the class suffered a non-monetary damage which it did not quantify. The court was also asked to issue an affirmative order to instruct the respondent to price its products according to the labeling as "economy package". The Company is currently reviewing the Claim and denying all above allegations. However, at this time, given this matter is preliminary in nature, our financial statements currently does not provide for any amount. We will continue to assess this matter as the request for the class action develops.
- f. In July 2011, a claim and request to recognize it as a class action was filed against Mega, claiming the respondent charged higher prices than the prices it should have charged on packs that contain two boxes of "Ski" soft white cheese, produced by Strauss and sold in cardboard packs, and contrary to its promise that the discount would account to 20% of the price of "Ski" 500 grams, granted an actual discount of only 3%, causing the consumers to pay NIS 3.73 more than they should for each pack. The appellant claims that as a result of not being given the discount by the respondent, the damage incurred by the class members is approximately NIS 19 million per month. The court was also asked to issue an affirmative order to instruct the respondent to grant a significant discount to the consumers who buy the larger packages of at least 20% relative to the price per measurement unit of the product in the smaller package. The Company is currently reviewing the Claim and denying all above allegations. However, at this time, given this matter is preliminary in nature, our financial statements currently does not provide for any amount. We will continue to assess this matter as the request for the class action develops.

Contingencies related to Dor Alon

- a. On August 11, 2011, Dor Alon received a letter of claim and a motion for approval of action as class action against Dor Alon, a subsidiary of Dor Alon and others (hereinafter, "the defendants") for a total amount of NIS 33,000 thousand. The letter of claim argued that the defendants violated the provisions of the law which prohibits selling tobacco products to minors by placing automatic cigarette vending machines in the gas stations operated by the defendants, although the automatic vending machines are not owned and/or operated by Dor Alon or its subsidiary.

Dor Alon has not yet filed a statement of defense.

In the opinion of the Company, based on the opinion of its legal advisers, the chances that the claim will be rejected exceed 50%; accordingly, the Company did not make any provision for this claim in its financial statements.

- b. On August 22, 2011, Dor Alon received a letter of claim and a motion for approval of action as class action against Dor Alon and the three other gasoline companies for a total of NIS 1 billion (of which Dor Alon's share is NIS 167 million).

ALON HOLDINGS BLUE SQUARE – ISRAEL LTD.
(FORMERLY BLUE SQUARE – ISRAEL LTD.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 9 – CONTINGENCIES (continued):

The claimants argue that the gasoline companies inflated the "marketing expense item" which is incorporated into the calculation of the maximum price of gasoline 95 octane by adding expenses unrelated to the sale of gasoline, thus misleading the regulator and enabling themselves to sell gasoline 95 octane at a higher price than the price that should be charged.

The claimants assert that this is violation of legislated provisions in the Supervision Order on Goods and Services (Maximum Prices in Gasoline Stations) – 2002; the Consumer Protection Act – 1981; and the Damage Ordinance (new version) – 1968.

Dor Alon has not yet filed a statement of defense.

In the opinion of the Company, based on the opinion of its legal advisers, the chances that the claim will be rejected exceed 50%; accordingly, the Company did not make any provision for this claim in its financial statements.

NOTE 10 – SUBSEQUENT EVENTS:

- a. In September 2011 the Company signed an agreement with third party to acquire the activity, leasehold improvements and the equipment of four stores for a total approximately NIS 35 million (U.S. \$10.2 million). The amount is subject to certain adjustments as mentioned in the agreement. The completion of the agreement is subject to suspending conditions set in the agreement which as of financial statements' date have not been met.
- b. On August 31, 2011, Dor Alon received from the Israeli Ministry of National Infrastructure an order pursuant to which the Ministers of Treasury and National Infrastructure decided to reduce the marketing margin in connection with the sale of full service gasoline by NIS 0.115 (including VAT) per liter and the marketing margin in connection with the sale of self service gasoline by NIS 0.184 (including VAT) per liter. The decrease in marketing margins is expected to have a material adverse effect on Dor Alon's profits. Dor Alon is examining its next steps, and on September 1, 2011 submitted a petition to the Supreme Court sitting as the High Court of Justice to suspend the effectiveness of the order and to nullify it. On September 19, 2011, the Supreme Court ruled that the Ministry of National Infrastructure and the Pricing Committee must reevaluate their decision based on updated data that Dor Alon and the other gas companies will submit to the Ministries, and present their decision on the matter within three months of the hearing, during which time the order shall remain in effect.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The information contained in this section should be read in conjunction with (1) our unaudited condensed consolidated interim financial statements as of June 30, 2011 and for the six months then ended and related notes included in this Report of Foreign Private Issuer on Form 6-K and (2) our Consolidated Financial Statements and related notes included in our Annual Report on Form 20-F for the year ended December 31, 2010 and the other information contained in that Annual Report, particularly the information under the caption "Item 5. Operating and Financial Review and Prospects". Our condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board ("IASB").

We are including segment information in our financial statements according to IFRS 8 based on our organizational structure, including internal reports in order to evaluate performance and allocate resources reviewed by our chief operating decision maker, the nature of the products and services that we provide, and the distribution channels of our sale. Selling, general and administrative expenses of headquarters operations and financial income and expenses are not included in the results of each of the operating segments. The Company presents four reportable segments: Supermarkets, Commercial and Fueling Sites, Non-Food Retail and Wholesale ("Non-Food") and Real Estate.

Our four operating segments consist of the following:

- (1) Supermarkets – We are the second largest food retailer in the State of Israel. We are engaged, through our fully held subsidiary, Mega Retail Ltd. ("Mega Retail"), in Supermarket activities, offering a wide range of food and beverage products and "Non-Food" items, such as houseware, toys, small electrical appliances, computers and computer accessories, entertainment and leisure products and textile products and "Near-Food" products, such as health and beauty aids, infants products, cosmetics and hygiene products. As of June 30, 2011, we owned and operated 209 supermarkets in this segment. This segment also includes properties owned through our approximately 78% held subsidiary, Blue Square Real Estate ("BSRE"), in connection with the supermarket operation of our stores (including warehouses and offices).*
- (2) Commercial and Fueling Sites – Through its subsidiary Dor-Alon, the Company is engaged in the development, construction and operation of vehicle fueling stations, adjacent commercial centers and independent convenience stores, marketing of fuel products and other products through the fueling stations and convenience stores and direct marketing of distillates to customers. The Commercial and Fueling Sites segment is presented according to the published financial statements of Dor-Alon, with reclassification of credit card fees and with the amortization of the excess of cost arising at the time of acquisition allocated to the reconciliation between the operating profit of the segment and the total operating profit. As of June 30, 2011, Dor - Alon operated 191 convenience stores, including 146 convenience stores branded "Alonit" and "Super Alonit", 45 convenience stores operated by the AM:PM chain of stores and 193 fuel stations.*

- (3) *Non-Food Retail and Wholesale* - we engaged through our 100% held subsidiary, Bee Group Retail Ltd. ("Bee Group"), in non-food retail and wholesale activities. As of June 30, 2011, Bee Group consisted of 263 non-food Retail outlets, mostly through franchisees, specialties in houseware and home textile, toys leisure and infant.
- (4) *Real Estate* – we engaged through our subsidiary, Blue Square Real Estate ("BSRE"), in the investment, promotion and development of yield generating investment properties: mainly commercial centers, logistics centers and offices and land for the purpose of capital appreciation and deriving long-term yield as well as in the development of the "Wholesale Market" residency project in Tel Aviv.

Key Figures

	Six months ended June 30, 2010	Six months ended June 30, 2011		Convenience translation ^(a) six months ended June 30, 2011	Three months ended June 30, 2010	Three months ended June 30, 2011	
	NIS in millions		Changes	U.S. dollars	NIS in millions		Changes
Net revenues	3,599.5	6,216	72.7%	1,820.1	1,768.7	3,208	81.3%
Gross profit	1,026.7	1,481	44.3%	433.8	513.0	752	46.6%
% Gross profit	28.5%	23.8%	-	-	29.0%	23.4%	-
Operating profit *	135.1	198	46.4%	57.9	62.5	106	71%
% Operating profit *	3.8%	3.2%	-	-	3.5%	3.3%	-
Financial expenses	56.7	56	(1.7)%	16.4	42.3	15	(64.3)%
Net income	58.2	110	88.1%	32.1	21.1	72	242.9%

* before other gains and losses and changes in fair value of investment property

**The statements of Dor - Alon were consolidated for the first time in the fourth quarter of 2010

Overview of our Activities for the Six Months ended June 30, 2011

Operating Overview

- o As a result of the inclusion of the results of Dor - Alon, the Company's sales in the first half of 2011 amounted to NIS 6,216 million (U.S. \$1,820.1 million) (increase of 72.7%) and the operating profit amounted to NIS 211 million (U.S. \$61.8 million) (increase of 49% compared to the comparable period last year).
- o The net income increased by 88.1% this half year and amounted to NIS 109.5 million (U.S. \$32.1 million).
- o As mentioned in note 31a of the 2010 annual report, in 2006, Dor Alon Energy in Israel (1988) Ltd. (hereafter – Dor Alon) and Blue Square (hereafter jointly referred to as the "Purchasers") entered into an agreement with Credit Cards for Israel Ltd. (“C.A.L”) and a subsidiary of CAL – Diners Club Israel Ltd. (“Diners Israel”).
Under the agreement, the purchasers were to purchase from C.A.L 49% of the issued share capital of Diners Israel, subject to milestones set in tl agreement, in consideration for a loan secured by the Diners shares.

Under the agreement with CAL, the Blue Square and Dor Alon were entitled to share with C.A.L the net income of Diners Israel in connection with the activities of the credit cards bearing the "You" name based on the respective ownership interests in Diners Israel. In addition, the Blue Square and Dor Alon signed an agreement with C.A.L pursuant to which Loyalty Plan members are to be issued Mastercard "You" credit cards that will be treated the same as the Diners "You" credit cards for the purpose of Blue Square's agreement with Dor Alon. As further mention at the said note, on May 25, 2011, management agreed to an amendment to the agreement of principles between C.A.L, Diners Israel, Blue Square, DorAlon, and the Alon Holdings-Dor Alon Joint Loyalty Plan Partnership, pursuant to which the Blue Square and Dor Alon would have the right to 49% of the profits of Diners Israel Ltd., both related to the "You" bearing credit cards, and to all other credit cards issued by Diners, effective as of January 1st, 2011 (with the exception of certain activities the profits of which will be allocated to the parties per their respective holdings from July 1st, 2011).

Additionally, the amendment sets the terms as to the business relationship between the parties and extends the agreement until December 31, 2015, following which the agreement will be extended for additional three year terms based on the terms and conditions set in the amendment to the agreement. The amendment also sets a calculation method for the purchasing the 49% of Diners owned by the Blue Square and by Dor Alon, should the agreement between Diners and the Loyalty club not be extended.

As under IAS 39 the said agreement was treated as derivative which is carried at fair value through profit or loss, during the three and six month periods ended June 30, 2011, the Company recorded a pre-tax income of approximately NIS 70 million and NIS 100 million, respectively, to the financial income item in the statements of income.

In July 2011, all suspending conditions set forth in the agreement were completed, the amendment to the agreement came into effect and the Purchasers repaid the Loan amounting to NIS 36 million to C.A.L. As a result, commencing July 2011, the Company will account for its investment in Diners shares by the equity method.

Operating Overview of our Segments

- In the Supermarket segment:
 - o Same store sales (SSS) increased in the first half of 2011 by 1.7%¹ compared to the comparable period last year. In the second quarter of 2011 the same store sales increased by 6.7%² compared to the comparable quarter last year mainly due to the timing of the Passover holiday. Without the impact of the Passover holiday, the increase in sales in the SSS was 4.0%.

¹ Gross sales of stores that operated fully in both periods.

² Gross sales of stores that operated fully in both periods.

- o Toward the end of the first half, a public protest broke out; one of its implications in July until today was a decline in sales in the supermarkets segment. It is premature to estimate this impact.
 - o Our operating profit was 3.8% and 3.4% of revenues in the second quarter and in the first half of 2011, respectively.
 - o We plan to continue with the implementation of the main elements of our strategic plan that include
 - Maintaining a market share while taking operating efficiency measures.
 - The expansion of the "Mega in Town " chain.
 - To complete a plan to attract club customers to the credit card channel, where we intend to double the number of customers in this track in two years and,
 - The expansion of the private brand "Mega", which constituted over 11% of total revenues in the six month period ended June 30 2011.
- In the Commercial and Fueling Sites segment:
 - o Operating profit increased by 13%³ in the first half of 2011 compared to the comparable period last year.
 - o On August 31, 2011 Dor -Alon, received from the Israeli Ministry of National Infrastructure a copy of an order pursuant to which the Ministers of Treasury and National Infrastructure decided to reduce by NIS 0.115 (U.S. \$0.03) (including VAT) per liter the marketing margin in connection with the sale of full service gasoline and by NIS 0.184 (U.S. \$0.05) (including VAT) per liter the marketing margin in connection with the sale of self service gasoline. The decrease in marketing margins is expected to have a material adverse effect on Dor - Alon's profits.
Dor- Alon is examining its next steps, and on September 1, 2011, submitted a petition to the Supreme Court sitting as the High Court of Justice to suspend the effectiveness of the order and even to nullify it.) On September 19, 2011 the Supreme Court ruled that the order shall remain in effect for the time being but ordered the Ministries of Treasury and National Infrastructure to reevaluate their decision based on updated data that Dor Alon and the other gas companies will submit to the Ministries. Dor - Alon is also examining steps to mitigate the effect on its profits resulting from the reduction of the marketing margins.
 - In the Real Estate segment:
 - o On July 4, 2011, BSRE entered into an agreement with Harel Insurance Company Ltd., Dikla Insurance Company Ltd. and Y.M.E. – Ezer, Mortgage Insurance Company Ltd. (hereafter collectively – Harel), whereby Harel acquired half of the BSRE's rights in an investment property located in Kiryat Hasharon-Netanya (which a commercial center is currently being erected on) in consideration for NIS 50.6 million (U.S. \$14.8 million).

³ The financial results of Dor Alon were consolidated with the Company's financial results for the first time in the fourth quarter of 2010.

As part of the transaction, the parties signed a sales agreement as well as a real estate partnership agreement settling the parties' relationship as joint owners in the real estate and the commercial center.; The agreement included clauses determining the equal distribution between the parties of costs of planning, erecting, marketing, management and operation of the said commercial center.

In the second quarter of 2011, BSRE recorded a gain from changes in fair value of the said investment property in the amount of NIS 16 million (U.S. \$4.4 million) to the statement of income.

- o "Wholesale Market" residency project in Tel Aviv – as of June 30, 2011 a subsidiary of BSRE entered into 460 sales agreements with apartment purchasers in total amount of NIS 1,063 million (including VAT).

Investments

- Investment in IT Systems in the Supermarket Segment
 - o We are still in the process of making significant investments in the main IT operating systems. These investments have a long term impact and include installation of new modern cash-registers and upgrading the trading and the chain of delivery management systems.
- Investment in four additional stores
 - o In September 2011 the Company signed an agreement with third party to acquire the activity, leasehold improvements and the equipment of four stores for a total approximately NIS 35 million (U.S. \$10.2 million). The amount is subject to certain adjustments as mentioned in the agreement.
The completion of the agreement is subject to suspending conditions set in the agreement which as of financial statements' the date have not been met.

RESULTS OF ALON HOLDINGS BLUE SQUARE - ISRAEL

Six Months Ended June 30, 2011 Compared To Six Months Ended June 30, 2010

Revenues (including government levies) for the first half of 2011 were NIS 7,599.5 million (U.S. \$2,225.3 million), compared to NIS 3,599.5 million in the first half of 2010 - an increase of 111.1%. The main increase in revenues was due to the inclusion of the results of Dor - Alon. Dor - Alon's revenues in the first half, including government levies of NIS 1,383.9 million (U.S. \$405.2 million) amounted to NIS 3,975.0 million (U.S. \$1,164.0 million). The increase in revenues also resulted from the increase in sales in the Supermarket segment of 1.1% or NIS 38.5 million (U.S. \$11.3 million) mainly due to an increase in same store sales at a rate of 1.7%⁴ or NIS 56.1 million (U.S. \$16.4 million) and due to the net opening of three stores this year. In the Commercial and Fueling Sites segment, there was an increase of revenues of 25.2%, or NIS 521.0 million (U.S. \$152.6 million), which resulted from an increase in the quantitative sales as a result of opening new fueling sites, an increase in sales in the convenience stores and an increase in the price of petrol. In the Real estate segment, there was an increase of revenues of approximately 36.8%, or NIS 4 million (U.S. \$1.2 million), in the rental fee income mainly due to the increase in leased premises. The overall increase in revenues was partially offset by the decrease in net revenues from external customers in the Non-food segment of approximately 1.3%, or NIS 2.8 million (U.S. \$0.8 million), mainly due to a decrease in sales to franchisees in the leisure and houseware area resulting from increased competition in the sector.

Gross Profit in the first half of 2011 amounted to approximately NIS 1,481.5 million (U.S. \$ 433.8 million) (approximately 23.8% of revenues) compared to gross profit of approximately NIS 1,026.7 million (28.5% of revenues) in the first half of 2010. The gross profit of the Commercial and Fueling Sites segment, which was not owned in the first half of 2010, accounted for NIS 441.4 million (U.S. \$129.3 million) of the Company's gross profit in the first half of 2011. The increase in the gross profit is mainly due to an increase in sales of the supermarkets segment (the gross operating profit amounted to 27.6% in the present half compared to 27.3% in the first half of 2010) an increase of NIS 38.5 million (U.S. \$11.3 million) and an increase in the revenues of the real estate segment and was partly offset by a decrease in sales and the gross profit rate in the non-food segment.

Selling, general, and administrative expenses in the first half of 2011 amounted to approximately NIS 1,283.7 million (U.S. \$ 375.9 million) compared to NIS 891.6 million in the first half of 2010, an increase of 44.0%. The selling, general and administrative expenses of the Commercial and Fueling Sites segment, which was not owned in the first half of 2010, amounted to NIS 340.4 million (U.S. \$99.7 million) of the Company's selling, general and administrative expenses in the first half of 2011. The main increase was recorded in the supermarkets segment in expenses of same stores and was mainly due to an increase in rental fees in the amount of NIS 7.3 million (U.S. \$2.1 million) affected by the change in CPI and updated lease agreements, an increase in municipal taxes in the amount of NIS 6.9 million (U.S. \$2.0 million) and an increase in payroll expenses in the amount of NIS 11.5 million (U.S. \$3.4 million) due to an increase in "Mega@Internet" activity and was partly offset by a decrease in advertising expenses in the amount of NIS 7.5 million (U.S. \$2.2 million).

⁴ Gross sales of stores that operated fully in both periods.

Operating profit (before other gains and losses and increase in the fair value of investment property) in the first half of 2011 amounted to approximately NIS 197.8 million (U.S \$ 57.9 million) compared to operating income of NIS 135.1 million in the first half of 2010, an increase of 46.4%. The operating profit (before other gains and losses and increase in the fair value of investment Property) of the Commercial and Fueling Sites segment, which was not owned in the first half of 2010, amounted to NIS 101.0 million (U.S. \$29.6 million) of the Company's operating profit (before other gains and losses and increase in the fair value of investment Property) in the first half of 2011. The decrease in the operating profit was mainly due to increase in selling, general and administrative expenses in the supermarkets segment in an amount of NIS 32.7 million (U.S. \$9.6 million) and the decrease in net sales from external customers in the non-food segment in an amount of NIS 2.8 million (U.S. \$0.8 million).

Increase in fair value of investment property in the first half of 2011, the Company recorded profit from the change in the value of investment property in the amount of NIS 19.4 million (U.S \$ 5.7 million) including NIS 17 million (U.S \$5.0 million) from change in fair value of property in Kiryat Hasharon, Netanya, half of the rights of which property were sold after the balance sheet date, compared to NIS 13.2 million in the first half of 2010.

Other income and expenses, net in the first half of 2011 the Company recorded other expenses, net in the amount of NIS 6.3 million (U.S \$ 1.8 million) compared to net expenses of NIS 7.1 million in the first half of 2010. These expenses included costs relating to the relocation of part of the BEE group companies to the new distribution center in Beer Tuvia and disposal of property and equipment.

Operating profit in the first half of 2011 was NIS 210.9 million (U.S. \$61.8 million) compared to operating profit of NIS 141.1 million in the first half of 2010, an increase of 49.4%. The operating profit of the Commercial and Fueling Sites segment, which was not owned in the first half of 2010, accounted for NIS 101.0 million (U.S. \$29.6 million) of the Company's operating profit in the first half of 2011.

Financial Expenses, Net for the first half of 2011 were NIS 55.9 million (U.S. \$16.4 million) compared to financial expenses, net of NIS 56.7 million in the first half of 2010. The net financial expenses of the Commercial and Fueling Sites segment, which was not owned in the first half of 2010, accounted for NIS 58.8 million (U.S. \$17.2 million) of the Company's net financial expenses in the first half of 2011. The decrease was mainly a result of finance income from the change in the fair value of the option to purchase shares of Diners in the amount of approximately NIS 101.5 million and capitalization of borrowing costs of projects under construction in the real estate segment and was partly offset by an increase in the Company's indebtedness following the purchase of Dor - Alon and the increase of the Israeli CPI (the CPI increased in the first half of 2011 by 2.16% compared to increase of 0.38% in the comparable period last year), see also " Capital Resources and Requirements" hereafter.

Taxes on Income for the first half of 2011 were approximately NIS 46.8 million (U.S. \$13.7 million) (29.9% effective tax rate compared to a statutory tax rate of 24%) compared to NIS 25.7 million (effective tax rate of 30.6% compared to a statutory tax rate of 25%) in the first half of 2010.

Net Income in the first half of 2011 was NIS 109.5 million (U.S. \$32.1 million) compared to net income of NIS 58.2 million in the comparable period last year. The net income for the first half of 2011 attributable to the equity holders of the company was NIS 94.9 million (U.S. \$27.8 million), or NIS 1.44 per share (U.S. \$0.42), while the portion attributable to the non-controlling interests was NIS 14.5 million (U.S. \$4.3 million).

Results for the Second Quarter of 2011

Gross Revenues (including government levies) for the second quarter of 2011 were NIS 3,890.0 million (U.S. \$1,139.1 million) compared to revenues of approximately NIS 1,768.7 million in the comparable quarter last year, an increase of 119.9%. The majority of the increase in revenues derived from including the results of Dor - Alon. The increase in revenues was due to the inclusion of the results of Dor - Alon. Dor - Alon's revenues in the second quarter, including government levies of NIS 681.5 million (U.S. \$199.6 million) amounted to NIS 2,016.9 million (U.S. \$590.6 million). The increase in the revenues compared to the comparable quarter last year was mainly due to the timing of the Passover holiday, which fell this year on April 19 compared to March 29 last year. The Passover sales in the Non-food and Supermarket segment were mainly included in the second quarter this year whereas last year's results were mainly included in the first quarter. For more information, please see "Segment Information Analysis" below.

Gross Profit of the second quarter of 2011 amounted to approximately NIS 752.0 million (U.S. \$220.2 million) compared to gross profit of approximately NIS 513.0 million in the comparable quarter of 2010. The gross profit of the Commercial and Fueling Sites segment, which was not owned in the second quarter of 2010, accounted for NIS 222.3 million (U.S. \$65.1 million) of the Company's gross profit in the second quarter of 2011. The increase in the gross profit mainly derived from an increase in sales of the supermarkets and non-food segments and was partly offset by decrease in the gross profit rate mainly in the Supermarkets segments due to the Passover timing (the gross profit rate amounted to 27.2% in the current quarter compared to gross profit rate of 28.2% in the comparable quarter last year).

Selling, General and Administrative Expenses in the second quarter of 2011 amounted to NIS 646.0 million (U.S. \$189.2 million) compared to approximately NIS 450.5 million in the comparable quarter, an increase of approximately 43.4%. The selling, general and administrative expenses of the Commercial and Fueling Sites segment, which was not owned in the second quarter of 2010, accounted for NIS 172.3 million (U.S. \$50.5 million) of the Company's selling, general and administrative expenses in the second quarter of 2011. The majority of the increase was recorded in the Supermarkets segments in the same stores expenses an increase of NIS 7.6 million (U.S. \$ 2.2 million) and derived mainly from the same reasons described above in the analysis of the first half of 2011 results.

Operating Profit (before other gains and losses and increases in the fair value of investment property) in the second quarter of 2011 amounted to NIS 106.0 million (U.S \$31.0 million) compared to NIS 62.5 million in the second quarter of 2010, an increase of 69.7%. The operating profit (before other gains and losses and increases in the fair value of investment property) of the Commercial and Fueling Sites segment, which was not owned in the second quarter of 2010, accounted for NIS 50.6 million (U.S. \$14.8 million) of the Company's operating profit (before other gains and losses and increases in the fair value of investment property) in the second quarter of 2011.

Change in the Fair Value of Investment Property In the second quarter of 2011, the Company recorded gain from appreciation of investment property in the amount of NIS 16.4 million (U.S \$ 4.8 million) including NIS 15 million (U.S \$ 4.4 million) from change in fair value of property in Kiryat Hasharon in Netanya, half of which was sold after the balance sheet date, compared to NIS 10.9 million in the comparable quarter last year.

Other income and expenses, Net In the second quarter of 2011, the Company recorded other expenses, net of NIS 4.4 million (U.S. \$ 1.3 million), compared to net expenses of NIS 5.9 million in the comparable quarter. The expenses this quarter included costs relating to the transfer of certain BEE Group companies to the new logistic center in Beer Tuvia and the disposal of the property and equipment.

Operating Profit amounted to approximately NIS 118.1 million (U.S. \$ 34.6 million) compared to operating profit of NIS 67.5 million in the second quarter of 2010. The operating profit of the Commercial and Fueling Sites segment, which was not owned in the second quarter of 2010, accounted for NIS 49.9 million (U.S. \$14.6 million) of the Company's operating profit in the second quarter of 2011. The majority of the increase derives from the increase in sales as a result of the Passover holiday, as described above, and an increase in revenues from Real estate segment due to revaluation gains and was partly offset by an increase in selling, general and administrative expenses.

Financial Expenses, net, for the second quarter of 2011 were NIS 15.2 million (U.S. \$4.5 million) compared to financial expenses, net of NIS 42.3 million in the comparable quarter last year. The decrease in financial expenses, net in this quarter compared to the same quarter last year was mainly due to changes in the value of Diners option that contributed this quarter an income of NIS 70 million (U.S. \$20.4 million). The decrease in financial expenses was mainly offset from an increase of the Company's indebtedness following the purchase of Dor - Alon and the increase of the CPI (the CPI increased in the second quarter of 2011 by 1.27% compared to an increase of 1.34% in the comparable period last year).

Taxes on Income for the second quarter of 2011 amounted to NIS 31.1 million (U.S. \$9.1 million) (effective tax rate of 30.2% compared to a statutory tax rate of 24%) compared to tax expenses of NIS 4.1 million (effective tax rate of 16.3% compared to a statutory tax rate of 25%) in the corresponding quarter last year.

Net Income for the second quarter of 2011 amounted to NIS 71.8 million (U.S. \$ 21.0 million) compared to a net income of NIS 21.1 million in the second quarter of 2010. The increase in the net income in this quarter compared to the corresponding quarter last year derived mainly from including the results of Dor - Alon and the effect of Diners option on financial expenses, net and the taxes on income. The net income for the second quarter of 2011 attributable to equity holders of the Company, was NIS 64.9 million (U.S. \$19.0 million), or NIS 0.99 per share (U.S. \$ 0.29), while the portion attributable to the non-controlling interests was NIS 6.9 million (U.S. \$2.0 million).

Segment Information Analysis

Segment Information Analysis for the first six months of 2011

Supermarkets Segment

	For the six months ended June 30			Convenience translation ^(a) for the six months ended June 30
	2011	2010	% Change	2011
	NIS in thousands			U.S. dollars
Segment Revenues	3,402,999	3,364,527	1.1%	996,486
Segment profit	116,288	126,333	(8.0)%	34,052
Segment profit as a percentage of segment revenues	3.4%	3.8%	-	N/A

	For the six months ended June 30		Convenience translation ^(a) for the six months ended June 30
	2011	2010	2011
	NIS	NIS	U.S.\$
Increase (decrease) in same store sales*	1.7%	(2.1)%	NA
Number of stores at end of period	209	206	NA
Stores opened during the period	4	4	NA
Stores closed during the period	1	1	NA
Total square meters at end of period	369,600	369,900	NA
Square meters added during the period, net	3,400	4,900	NA
Sales per square meter	9,160	9,248	2,682
Sales per employee (in thousands)	481	497	141

* Compared with the same period in the prior fiscal year, net of discounts sales.

Revenues for the Supermarkets segment in the first half of 2011 amounted to NIS 3,403.0 million (U.S. \$996.5 million) as opposed to NIS 3,364.5 million in the first half of 2010, an increase of 1.1%. The increase in revenues was mainly due to an increase in same store sales (SSS) at a rate of 1.7% and due to the net opening of three stores this year.

The SSS during the first half of 2011 were NIS 3,284.8 million (U.S. \$961.9 million) compared to NIS 3,228.7 million in the corresponding period last year. The sales from the addition of our new stores for the first half of 2011 were NIS 117.0 million (U.S. \$34.3 million) compared to NIS 135.8 million in the corresponding period last year.

Profit for the Supermarkets segment in the first half of 2011 decreased by 8.0% to NIS 116.3 million (U.S \$ 34.1 million) (3.4% of segment revenues) compared to the segment profit of NIS 126.3 million (3.8% of segment revenues) in the corresponding period last year. The decrease in the segment profit was mainly due to increase in selling, general and administrative expenses in the supermarkets segment.

Commercial and Fueling Sites segment

	For the Six month ended June 30		% Change	Convenience translation ^(a) for the six months ended June 30 2011
	2011	2010		
	NIS in millions			U.S.\$
Segment Revenues	2,591,105	-	N/A	758,742
Segment profit	100,908	-	N/A	29,548
Segment profit as a percentage of segment revenues	3.9%	-	-	N/A

The net revenues in the commercial and Fueling Sites segment in the first half of 2011 amounted to NIS 2,591.1 million (U.S. \$758.7 million) as compared to NIS 2,070.1 million in the first half of 2010⁵, an increase of 25.2%. The main increase stems from increase in the quantitative sales as a result of opening new Fueling Sites, an increase in sales in the convenience stores and an increase in the price of petrol.

Profit for the Commercial and Fueling Sites segment amounted to NIS 100.9 million (U.S. \$29.5 million) (3.9% of net revenues).

⁵ The results of Dor Alon were included effective October 3, 2010 in the results of Alon Holdings. The data for the first half of 2010 were included in this report in order to enable analysis and trends of the segment performance.

Non Food Retail and Wholesale Segment

	For the Six month ended June 30		% Change	Convenience translation ^(a) for the six months ended June 30 2011
	2011	2010		
	NIS in thousands			U.S.\$
Segment Revenues	241,741	251,816	(4.0)%	70,788
Segment profit (loss)	(6,527)	9,583	(168.1)%	(1,911)
Segment profit (loss) as a percentage of segment revenues	(2.7)%	3.8%	-	N/A

Revenues for the Non-food segment decreased by approximately 1.3% from NIS 224.2 million in the first half of 2010 to NIS 221.4 million (U.S. \$64.8 million) in the first half of 2011. The decrease in revenues was mainly due to a decrease in sales to franchisees in the leisure and houseware area due to increased competition in the sector.

Loss for the Non Food Retail and Wholesale segment in the first half of 2011 amounted to NIS 6.5 million (U.S \$ 1.9 million) (2.7% of segment revenues) compared to the segment profit of NIS 9.5 million (3.8% of segment revenues) in the corresponding period in 2010. The decrease in the segment profit was due to a decrease in sales in the houseware area, change in the composition of sales and due to one-off costs of NIS 2.2 million due to the transfer to the new logistics center for the Non-food segment group.

Real Estate Segment

	For the Six month ended June 30		Change %	Convenience translation ^(a) for the six months ended June 30
	2011	2010		2011
	NIS in thousands			U.S. dollars
Segment Revenues	14,713	10,754	36.8%	4,308
Appreciation of Investment Property	19,445	13,187	47.5%	5,694
Segment profit	25,749	17,531	46.9%	7,540
Segment profit as a percentage of segment revenues	175%	163.0%	-	N/A

Revenues for the Real Estate segment, consisting of rental fee income, increased by approximately 36.8% from NIS 10.8 million in the first half of 2010 to NIS 14.7 million (U.S. \$4.3 million) in the first half of 2011. The increase in revenues is mainly due to the increase in leased premises.

Change in the fair value of Investment Property. In the first half of 2011, the Real Estate segment recorded profit from the increase in the value of investment property in the amount of NIS 19.4 million (U.S \$ 5.7 million) including NIS 15 million (U.S \$ 4.4 million) from revaluation of property in Kiryat Hasharon, Netanya, half of which was sold after the balance sheet date, compared to NIS 13.2 million in the first half of 2010.

Profit for the Real Estate segment in the first half of 2011 increased by 46.9% to NIS 25.8 million (U.S \$ 7.5 million) compared to the segment profit of NIS 17.5 million in the corresponding period. The increase in the segment profit was due to the increase in gain from appreciation, as described above.

Segment Information Analysis for the second quarter

Supermarkets Segment

	For the three months ended June 30			Convenience translation ^(a) for the three months ended June 30
	2011	2010	% Change	2011
	NIS in thousands			U.S. dollars
Segment Revenues	1,766,464	1,674,632	5.5%	517,266
Segment profit	66,716	67,971	(1.8)%	19,536
Segment profit as a percentage of segment revenues	3.8%	4.1%	N/A	N/A

	For the three months ended June 30		Convenience translation ^(a) for the three months ended June 30
	2011	2010	2011
	NIS	NIS	U.S.\$
Increase (decrease) in same store sales*	5.7%	(5.2)%	NA
Number of stores at end of period	209	206	NA
Stores opened during the period	-	1	NA
Stores closed during the period	-	1	NA
Total square meters at end of period	369,600	369,900	NA
Square meters added during the period, net	-	(200)	NA
Sales per square meter	4,824	4,591	1,413
Sales per employee (in thousands)	252	249	74

* Compared with the same period in the prior fiscal year, net of discounts sales.

Revenues for the Supermarket segment increased by 5.5% from NIS 1,674.6 million in the second quarter of 2010 to NIS 1,766.5 million (U.S \$517.3 million) in the second quarter of 2011. The increase in revenues was mainly due to an increase in same store sales (SSS) at a rate of 5.7% was mainly derived from the timing of the Passover holiday.

The SSS during the second quarter of 2011 were NIS 1,704.7 million (U.S. \$499.2 million) compared to NIS 1,612.7 million in the corresponding quarter last year. The sales from the addition of our new stores for the second quarter of 2011 were NIS 60.7 million (U.S. \$17.8 million) compared to NIS 97.2 million in the corresponding quarter last year.

Profit for the Supermarkets segment in the second quarter of 2011 decreased by 1.8% to NIS 66.7 million (U.S \$ 19.5 million) (3.8% of segment revenues) compared to the segment profit of NIS 68.0 million (4.1% of segment revenues) in the corresponding quarter. The decrease in the segment profit was due to the increase in selling, general and administrative expenses in the supermarkets segment.

Commercial and Fueling Sites segment

	For the three month ended June 30		% Change	Convenience translation ^(a) for the three months ended June 30
	2011	2010		2011
	NIS in millions			U.S.\$
Segment Revenues	1,335,382	-	N/A	391,034
Segment profit	50,579	-	N/A	14,811
Segment profit as a percentage of segment revenues	3.8%	-	N/A	N/A

Revenues of the Commercial and Fueling Sites segment for the second quarter of 2011 amounted to NIS 1,335.4 million (U.S. \$391.0 million) as compared to NIS 1,077.1 million in the comparable quarter of 2010⁶. The increase in revenues derived from the same reasons described in the analysis of the first half of 2011 results.

Profit for the Commercial and Fueling Sites segment amounted to NIS 50.6 million (U.S. \$14.8 million) (3.8% of net revenues).

⁶ The results of Dor Alon were included effective October 3, 2010 in the results of Alon Holdings. The data for the first half of 2010 were included in this report in order to enable analysis and trends of the segment performance.

Non Food Retail and Wholesale Segment

	For the three months ended June 30			Convenience translation ^(a) for the three months ended June 30
	2011	2010	Change %	2011
	NIS in thousands			U.S. dollars
Segment Revenues	115,853	99,546	16.4%	33,925
Segment loss	(7,374)	(8,946)	(17.6)%	(2,159)
Segment loss as a percentage of segment revenues	(6.4)%	(9.0)%	N/A	N/A

Revenues for the Non - Food segment increased by 18.7% from NIS 88.7 million in the second quarter of 2010 to NIS 105.3 million (U.S. \$30.8 million) in the current quarter. The increase mainly derived from the timing of the Passover holiday.

Loss for the Non Food Retail and Wholesale segment in the second quarter of 2011 increased to NIS 7.4 million (U.S \$ 2.2 million) (6.4% of segment revenues) compared to the segment loss of NIS 8.9 million (9.0% of segment revenues) in the corresponding quarter in 2010. The decrease in the segment loss was due to a increase in sales resulting from the timing of Passover as mentioned above.

Real Estate Segment

	For the three months ended June 30			Convenience translation ^(a) for the three months ended June 30
	2011	2010	Change %	2011
	NIS in thousands			U.S. dollars
Segment Revenues	8,441	5,340	58.1%	2,472
Change in fair value of Investment Property	16,390	10,913	50.2%	4,799
Segment profit	20,180	14,287	41.2%	5,909
Segment profit as a percentage of segment revenues	239.1%	267.5%	N/A	N/A

Revenues for the Real Estate segment, consisting of rental fee income from external parties, increased to NIS 8.4 million (U.S. \$2.5 million) in the second quarter of 2011 compared to NIS 5.3 million in the second quarter of 2010 due to the increase in leased premises.

Change in the Fair Value of Investment Property. In the second quarter of 2011, the Company recorded gain from appreciation of investment property in the amount of NIS 16.4 million (U.S \$ 4.8 million) including NIS 16 million (U.S \$ 4.7 million) from revaluation of property in Kiryat Hasharon in Netanya, half of which was sold after the balance sheet date, compared to NIS 10.9 million in the comparable quarter last year.

Profit for the Real Estate segment in the second quarter of 2011 increased by 41.2% to NIS 20.2 million (U.S \$ 5.9 million) (239.1% of segment revenues) compared to the segment profit of NIS 14.3 million (267.5% of segment revenues) in the corresponding quarter of 2010. The increase in the segment profit was mainly due to the increase in the gain from appreciation, as described above.

The following discussion presents an analysis of our cash flows for the six months and three months ended June 30, 2011 compared to six months and three months ended June 30, 2010.

Cash Flows in the first half of 2011

Cash Flows from Operating Activities: Net cash flows deriving from operating activities in the first half of 2011 amounted to NIS 434.5 million (U.S. \$127.2 million) compared to cash flows from operating activities of NIS 85.9 million in the first half of 2010. The inclusion of Dor - Alon's results contributed to the cash flow from operating activities in the first half of 2011 the amount of NIS 58.9 million (U.S. \$17.2 million). The increase in cash flows from operating activities was mainly due to a decrease in working capital in the Supermarket segment and from the increase in advances from purchasers of apartments of NIS 95.4 million (U.S. \$27.9 million). The cash flows from operating activities in the first half of 2010 included the acquisition of real estate inventories in the amount of NIS 121.7 million.

Cash Flows from Investing Activities: Net cash flows used in investing activities in the first half of 2011 amounted to approximately NIS 300.3 million (U.S. \$87.9 million) compared to net cash flows of NIS 376.9 million used in investing activities in the first half of 2010. Cash flows used in investing activities in the first half of 2011 included mainly purchases of property and equipment, investment property and intangible assets, in a total amount of NIS 176.6 million (U.S. \$51.7 million), the grant of short term loans of NIS 62.3 million (U.S. \$18.2 million), mainly to controlling shareholders and investment in restricted deposits in the amount of NIS 95.4 million (U.S. \$27.9 million). Cash flows used in investing activities in the first half of 2010 included mainly purchases of property and equipment, intangible assets, investment property and payments on account of real estate in a total amount of NIS 151.6 million and a net investment in marketable securities of NIS 216.9 million, the grant of a loan of NIS 18.9 million to a proportionally consolidated company.

Cash Flows from Financing Activities: Net cash flows used in financing activities in the first half of 2011 amounted to NIS 125.0 million (U.S. \$36.6 million) compared to net cash flow used in financing activities of NIS 58.2 million in the first half of 2010. Cash flows used in financing activities in the first half of 2011 included mainly repayment of bonds in the amount of NIS 138.5 million (U.S. \$40.6 million), repayment of long term loans in the amount of NIS 126.1 million (U.S. \$36.9 million), and interest paid in the amount of NIS 110.3 million (U.S. \$32.3 million), this was offset by an increase in short term bank credit in the amount of NIS 169.9 million (U.S. \$49.8 million) and increase in receipt of long term loans in the amount of NIS 109.5 million (U.S. \$32.1 million). Net Cash flows used in financing activities in the first half of 2010 included mainly repayment of long term loans of NIS 73.4 million, interest paid in the amount of NIS 58.5 million, payment of dividends of NIS 75 million to the Company's shareholders and NIS 17.6 million to the non-controlling interests and acquisition of treasury shares of NIS 4.3 million. This was offset by an increase in short term credit, net in the amount of NIS 166.3 million.

Cash Flows in the Second Quarter of 2011

Cash Flows from Operating Activities: Net cash flows provided by operating activities, amounted to NIS 218.5 million (U.S. \$ 63.9 million) in the second quarter of 2011 compared to NIS 64.3 million in the comparative quarter last year. The increase in cash flows from operating activities was mainly due to the increase in the pre-tax income and decrease in the purchases of real estate inventories. The cash flows from operating activities in the second quarter of 2010 included the acquisition of real estate inventories in the amount of NIS 121.7 million.

Cash Flows from Investing Activities: Net cash flows used in investing activities in the second quarter of 2011 amounted to NIS 83.9 million (U.S. \$24.6 million) compared to net cash flows of NIS 327.5 million from investing activities in the corresponding quarter of the previous year. The cash flows used in investing activities in the second quarter of 2011 mainly included the purchase of property and equipment, intangible assets investment property of NIS 85.8 million (U.S. \$25.1 million), investments in restricted deposits of NIS 8.1 million (U.S. \$2.4 million), and investment in short term deposits, net in the amount of NIS 3.2 million (U.S. \$0.9 million) and was offset by interest received amounting to NIS 7.7 million (U.S. \$2.2 million). Cash used in investing activities in the second quarter of 2010 mainly included the purchase of property and equipment, intangible assets investment property and payments on account of real estate in a total amount of NIS 112.3 million and net investment in marketable securities of NIS 200.7 million.

Cash Flows used in Financing Activities: Net cash flows used in financing activities amounted to NIS 135.1 million (U.S \$ 39.6 million) in the second quarter of 2011 as compared to net cash from financing activities of NIS 4.8 million in the corresponding quarter last year. Cash flows used in financing activities in the second quarter of 2011 included mainly repayment of bonds of NIS 136.3 million (U.S. \$39.9 million), repayment of long term loans of NIS 66.6 million (U.S. \$19.5 million) and interest paid in the amount of NIS 54.6 million (U.S. \$16.0 million) and was offset by long term loans received of NIS 107.0 million (U.S. \$31.3 million), change in short term credit of NIS 32.7 million (U.S. \$9.6 million). Cash flows from financing activities in the second quarter of 2010 included mainly an increase in short term credit net in the amount of NIS 58.6 million net of the repayment of long term loans amounting to NIS 34.8 million and interest paid in the amount of NIS 19.8 million.

Capital Resources and Requirements

Our capital resources consist of a variety of short and long-term financial instruments, including loans from financial institutions, commercial paper, listed and non-listed debentures and convertible debentures. In addition, other capital resources consist of liquid resources such as cash and cash equivalents, future cash flows from operating activities and current available-for-sale financial assets.

Our capital requirements include, among others, scheduled debt service, regular capital spending, ongoing cash requirements from operating activities, and dividend payments.

Total debt relates to our debentures, loans from banks and others, and other financial indebtedness such as commercial paper. Total debt is comprised of short-term debt and current maturities of long-term debt as well as long-term debt, as stated on the consolidated statements of financial position.

Total liquidity refers to the liquid financial assets we had available at the respective balance sheet dates to fund our business operations and pay for near-term obligations. Total liquidity is comprised of cash and cash equivalents as well as currently available financial assets, as stated on the consolidated balance sheets.

Net debt results from total debt less total liquidity. Management uses the net debt measure for internal corporate finance management, as well as for external communication with rating agencies, and accordingly we believe that presentation of net debt is useful for investors. Net debt should not be considered in isolation as an alternative to short-term debt and long-term debt as presented in accordance with IFRS.

	For the Six months ended June 30, 20112010		Year ended December 31, 2010	Convenience translation for June 30 2011 U.S. dollars
	NIS In thousands			
Credit and loans from banks and others (current)	970,312	427,787	768,055	284,132
Current maturities of debentures and convertible debentures	140,980	76,235	202,769	41,283
Long-term from banks and others, net of current maturities	1,362,958	541,528	1,399,159	399,109
Convertible debentures, net of current maturities	119,101	132,334	117,801	34,876
Debentures, net of current maturities	2,140,119	1,261,208	2,183,093	626,682
Total debt	4,733,470	2,439,092	4,670,877	1,386,082
Cash and cash equivalents	125,637	262,517	125,956	36,790
Short-term bank deposit	95,203	-	98,084	27,878
Investment in securities (current)	291,867	431,786	310,237	85,466
Short term loans to controlling share holders	76,899	-	-	22,518
Current maturities of loans receivable	6,364	-	10,699	1,864
Investment in securities (non - current)	29,128	-	30,327	8,529
Loans receivable, net of current maturities	143,068	-	176,043	41,894
Total liquidity	768,166	694,303	751,346	224,939
	3,965,304	1,744,789	3,919,531	1,161,143

For further information on changes in net debt please refer to “Cash flow - First six months of 2011 compared to first six months of 2010 - Financing activities” above.

We believe that our cash balances and cash generated from operations will be sufficient to meet our anticipated cash requirements for the next 12 months.

Subsequent events

- For the developments in the Diners transaction – see "Operating Overview" above.
- For development in the investment in four additional stores – see "Investments" above.
- For the developments in the contingencies, see note 9 to the financial statements as of June 30, 2011.
- In August 2011 the Convertible Debentures (Series B) of the Company were repaid in full.

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NOTE A: Convenience Translation to Dollars

The convenience translation of New Israeli Shekel (NIS) into U.S. dollars was made at the exchange rate prevailing at June 30, 2011: U.S. \$1.00 equals NIS 3.415. The translation was made solely for the convenience of the reader.

This Management’s Discussion and Analysis contains forward-looking statements within the meaning of safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, plans or projections about our business and our future revenues, expenses and profitability. Forward-looking statements may be, but are not necessarily, identified by the use of forward-looking terminology such as "may," "anticipates," "estimates," "expects," "intends," "plans," "believes," and words and terms of similar substance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual events, results, performance, circumstance and achievements to be materially different from any future events, results, performance, circumstance and achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the following: the effect of the recession in Israel on the sales in our stores and on our profitability; our ability to compete effectively against low-priced supermarkets and other competitors; quarterly fluctuations in our operating results that may cause volatility of our ADS and share price; risks associated with our dependence on a limited number of key suppliers for products that we sell in our stores; the effect of an increase in the minimum wage in Israel on our operating results; the effect of any actions taken by the Israeli Antitrust Authority on our ability to execute our business strategy and on our profitability; the effect of increases in oil, raw material and product prices in recent years; the effects of damage to our reputation or to the reputation of our store brands due to reports in the media or otherwise; and other risks, uncertainties and factors disclosed in our filings with the U.S. Securities and Exchange Commission (SEC), including, but not limited to, risks, uncertainties and factors identified under the heading "Risk Factors" in our annual report on Form 20-F for the year ended December 31, 2010. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Except for our ongoing obligations to disclose material information under the applicable securities laws, we undertake no obligation to update the forward-looking information contained in this press release.