

B.S.D CROWN LTD.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AS OF AND FOR THE
SIX MONTHS ENDED 30 JUNE 2018**

UNAUDITED

IN NIS

B.S.D CROWN LTD.

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Report on Review of Interim Financial Information

To the shareholders of B.S.D. Crown Ltd.

Introduction

We have reviewed the accompanying Interim Condensed Consolidated Statements of Financial Position B.S.D. Crown Ltd and its subsidiaries as of June 30, 2018 and the related Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income, Interim Condensed Consolidated Statement of Changes in Equity and the Interim Condensed Consolidated Statement of Cash Flows for the six-month period then ended, and notes to Interim Condensed Consolidated Financial Statements. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the entity as at June 30, 2018, and of its financial performance and its cash flows for the six-month period then ended in accordance IAS 34.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to:

1. Note 6(B) of the financial information describing an indictment was filed at the economic department of the Tel Aviv District Court against the former ultimate controlling shareholder of the Company and against the former Chief Executive Officer of the Company with suspicion of theft by an agent, aggravated fraud, money laundering, fraud and breach of fiduciary duties and false registration of corporate documents.
2. Note 6(E)(3) of the financial statements describing a motion to certify a derivative action which was filed in February 2016 against the Company's subsidiary's directors and officers.

Tel Aviv, August 16, 2018

Ziv Haft
Accountants

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B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	2018	2017	2017
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	136,102	98,540	134,888
Short-term deposits	-	808	40
Financial assets at fair value through profit or loss	154,139	109,180	141,720
Trade receivables	97,339	92,936	85,942
Other receivables and prepaid expenses	6,319	13,722	12,078
Inventories	44,695	70,927	39,899
	438,594	386,113	414,567
Total current assets			
NON-CURRENT ASSETS:			
Long term deposits	1,258	-	766
Property, plant and equipment, net	46,801	49,152	48,179
Intangible assets:			
Customer relationships	11,975	14,453	13,212
Supplier relationships	2,209	4,863	3,534
Brands	2,473	3,345	2,909
	64,716	71,813	68,600
Total non-current assets			
	503,310	457,926	483,167
Total assets			

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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	2018	2017	2017
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	20,368	16,917	13,330
Other accounts payable	15,166	11,091	11,978
Employee benefit liabilities, net	2,836	2,559	2,322
Total current liabilities	38,370	30,567	27,630
NON-CURRENT LIABILITIES:			
Employee benefit liabilities, net	1,066	849	1,122
Deferred taxes	4,034	3,417	5,544
Total non-current liabilities	5,100	4,266	6,666
EQUITY:			
Share capital	1,349	1,349	1,349
Share premium	1,690,591	1,890,454	1,692,120
Treasury shares	(126,747)	(344,989)	(126,747)
Reserve from transactions with non- controlling interests	(3,307)	(3,307)	(3,307)
Reserve from translation of financial statements of foreign operation	599	710	655
Reserve from benefit employee	(397)	-	(397)
Adjustments arising from initial translation of the Company financial statements	85,279	85,279	85,279
Accumulated deficit	(1,423,555)	(1,428,707)	(1,427,537)
Equity attributable to Company's equity holders	223,812	200,789	221,415
Non- controlling interests	236,028	222,304	227,456
Total equity and non- controlling interests	459,840	423,093	448,871
Total liabilities and equity	503,310	457,926	483,167

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

16 August 2018	Joseph Williger	Shlomo Wertheim	Moran Attar-Yossef
Date of approval of the financial statements	Executive Chairman	Chairman of the Audit Committee	CFO

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	Six months ended		Year ended
	30 June		31 December
	2018	2017	2017
	NIS in thousands		
	Unaudited	Audited	
Revenues	171,781	160,076	312,354
Cost of sales	(126,225)	(124,679)	(240,597)
Gross profit	<u>45,556</u>	<u>35,397</u>	<u>71,757</u>
Selling expenses	22,578	24,851	45,591
General and administrative expenses	11,689	13,135	24,026
Other income loss	-	(107)	(167)
Total operating expenses, net	<u>34,267</u>	<u>37,879</u>	<u>69,450</u>
Operating income (loss)	11,289	(2,482)	2,307
Financial income	5,262	5,061	13,505
Financial expense	(816)	(4,601)	(5,097)
Income (loss) before taxes on income	15,735	(2,022)	10,715
Taxes on income	(3,181)	442	(4,217)
Net income (loss) for the period	<u>12,554</u>	<u>(1,580)</u>	<u>6,498</u>
<u>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods, net of tax:</u>			
Exchange differences on translating foreign operation	(56)	28	(27)
<u>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods, net of tax:</u>			
Remeasurement loss from defined benefit plans	-	-	(647)
Total other comprehensive income, net of tax	<u>(56)</u>	<u>28</u>	<u>(674)</u>
Total comprehensive (loss) income	<u>12,498</u>	<u>(1,552)</u>	<u>5,824</u>
Net income (loss) attributable to:			
Equity holders of the Company	3,982	(3,036)	(1,866)
Non- controlling interests	8,572	1,456	8,364
	<u>12,554</u>	<u>(1,580)</u>	<u>6,498</u>
Total comprehensive (loss) income attributable to:			
Equity holders of the Company	3,926	(3,008)	(2,290)
Non- controlling interests	8,572	1,456	8,114
	<u>12,498</u>	<u>(1,552)</u>	<u>5,824</u>
Basic and diluted losses per share (in NIS):			
Net gain (loss) per share	<u>0.03</u>	<u>(0.03)</u>	<u>(0.02)</u>

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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Reserve from translation of financial statements of foreign operation	Reserve from benefit employee	Aadjustments arising from initial translation of the Company financial statements	Accumulated deficit	Total	Non-controlling interests	Total equity
NIS in thousands											
Unaudited											
Balance as of 1 January 2018	1,349	1,692,120	(126,747)	(3,307)	655	(397)	85,279	(1,427,537)	221,415	227,456	448,871
Net income	-	-	-	-	-	-	-	3,982	3,982	8,572	12,554
Other comprehensive loss:											
Exchange differences on translating foreign operation	-	-	-	-	(56)	-	-	-	(56)	-	(56)
Total comprehensive loss	-	-	-	-	(56)	-	-	3,982	3,926	8,572	12,498
Proceeding from treasury shares	-	(1,529)	-	-	-	-	-	-	(1,529)	-	(1,529)
Balance as of 30 June 2018	<u>1,349</u>	<u>1,690,591</u>	<u>(126,747)</u>	<u>(3,307)</u>	<u>599</u>	<u>(397)</u>	<u>85,279</u>	<u>(1,423,555)</u>	<u>223,812</u>	<u>236,028</u>	<u>459,840</u>

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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Reserve from translation of financial statements of foreign operation	Adjustments arising from initial translation of the Company financial statements	Accumulated deficit	Total	Non-controlling interests	Total equity
NIS in thousands										
Unaudited										
Balance as of 1 January 2017	1,349	1,890,454	(344,989)	(3,307)	682	85,279	(1,425,671)	203,797	223,861	427,658
Net income (loss)	-	-	-	-	-	-	(3,036)	(3,036)	1,456	(1,580)
Other comprehensive income:										
Exchange differences on translating foreign operation	-	-	-	-	28	-	-	28	-	28
Total comprehensive loss	-	-	-	-	28	-	(3,036)	(3,008)	1,456	(1,552)
Subsidiary's dividends declaration and payment to non - controlling interest	-	-	-	-	-	-	-	-	(3,013)	(3,013)
Balance as of 30 June 2017	<u>1,349</u>	<u>1,890,454</u>	<u>(344,989)</u>	<u>(3,307)</u>	<u>710</u>	<u>85,279</u>	<u>(1,428,707)</u>	<u>200,789</u>	<u>222,304</u>	<u>423,093</u>

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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Reserve from translation of financial statements of foreign operation	Reserve from benefit employee	Adjustments arising from initial translation of the Company financial statements	Accumulated deficit	Total	Non-controlling interests	Total equity
NIS in thousands											
Audited											
Balance as of 1 January 2017	1,349	1,890,454	(344,989)	(3,307)	682	-	85,279	(1,425,671)	203,797	223,861	427,658
Net (loss) income	-	-	-	-	-	-	-	(1,866)	(1,866)	8,364	6,498
Other comprehensive (loss) income:											
Exchange differences on translating foreign operation	-	-	-	-	(27)	-	-	-	(27)	-	(27)
Remeasurement loss from defined benefit plans	-	-	-	-	-	(397)	-	-	(397)	(250)	(647)
Total comprehensive (loss) income	-	-	-	-	(27)	(397)	-	(1,866)	(2,290)	8,114	5,824
Subsidiary's dividends declaration and payment to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,519)	(4,519)
Proceeding from treasury shares	-	(198,334)	218,242	-	-	-	-	-	19,908	-	19,908
Balance as of 31 December 2017	1,349	1,692,120	(126,747)	(3,307)	655	(397)	85,279	(1,427,537)	221,415	227,456	448,871

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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	30 June		31 December
	2018	2017	2017
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from operating activities:</u>			
Income (loss) for the period	12,554	(1,580)	6,498
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities:			
Gain from investments in foreign bonds	(3,970)	-	(1,398)
Depreciation and amortisation	4,967	5,160	10,199
Gain on disposal of fixed assets	-	(301)	(361)
Increase (decrease) employee benefit liabilities, net	(57)	12	(163)
Change in financial assets at fair value through profit or loss	4,483	(1,943)	(7,402)
Exchange rate difference on short term deposits	(23)	43	-
Decrease in deferred tax	(1,510)	(2,178)	(51)
Current tax expenses	4,541	3,020	4,268
	<u>8,431</u>	<u>3,813</u>	<u>5,092</u>
<u>Changes in asset and liability items:</u>			
Decrease (increase) in inventories	(4,796)	(29,014)	2,014
Increase in trade receivables	(11,397)	(12,690)	(5,696)
Decrease (increase) in receivables and prepaid expenses	(12)	(2,136)	1,951
Increase in trade payables, other payables and accrued expenses	9,151	2,845	(253)
	<u>(7,054)</u>	<u>(40,995)</u>	<u>(1,984)</u>
Cash received (paid) during the period:			
Interest received	91	-	-
Income taxes paid, net	(353)	(3,719)	(5,926)
	<u>(262)</u>	<u>(3,719)</u>	<u>(5,926)</u>
Net cash (used in) provided by operating activities	<u><u>13,669</u></u>	<u><u>(42,481)</u></u>	<u><u>3,680</u></u>

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

B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from investing activities:</u>			
Proceeds from sale of property and equipment	-	301	361
Purchase of property and equipment	(587)	(1,593)	(2,653)
Investment in short-term and long-term deposits	(423)	(20)	(20)
Proceeds from investment in financial assets at fair value through profit or loss	(16,901)	(3,083)	(30,165)
Proceeds from foreign bonds	3,970	770	2,168
Net cash used in investing activities from continuing operations	(13,941)	(3,625)	(30,309)
<u>Cash flows from financing activities:</u>			
Dividend paid by subsidiary	-	(3,013)	(4,519)
Issue of treasury shares	1,486	-	18,377
Net cash used in (provided by) financing activities from continuing operations	1,486	(3,013)	13,858
Net (decrease) increase in cash and cash equivalents	1,214	(49,119)	(12,771)
Cash and cash equivalents at the beginning of the period	134,888	147,659	147,659
Cash and cash equivalents at the end of the period	136,102	98,540	134,888
a. Non-cash transactions:			
Issue of treasury shares	(1,529)	-	1,531
Purchase of property, plant and equipment on credit	-	46	-

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

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

- A.** B.S.D Crown Ltd. ("BSD" or "the Company") is a corporation registered in Israel. The address of its registered office is 7 Menachem Begin Road, Ramat Gan 5268102, Israel.
The Company's shares are listed on the Official List of the London Stock Exchange on the Standard List ("LSE") under the symbol BSD.
- B.** Since 5 May 2017 the Company is controlled by Mr. Joseph Williger.
- C.** The Company is engaged in managing its investments that comprise mainly an investment in a subsidiary which imports markets and distributes food products through Willi Food Investments Ltd and G.Willi Food International Ltd. (hereafter- "WFI" and "WFINT" respectively).
- D.** The interim condensed consolidated financial statements for the six month periods ended 30 June 2018 should be read with the audited consolidated financial statements for the year ended 31 December 2017 and which were published on 27 March 2018.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of the interim consolidated financial statements:

The interim condensed consolidated financial statements for six month periods ended 30 June 2018 have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

B. Exchange rates and the linkage basis:

- a) Balances in foreign currencies or which are linked thereto are included in the financial statements according to the exchange rates published by the Bank of Israel and which were in effect at the end of the reporting period.
- b) Balances linked to the Consumer Price Index are presented in accordance with the last known index at the end of the reporting period (the monthly index preceding the month of the financial statement) or according to the index with respect to the last months of the reporting period (the monthly index for the month in which the date of the financial statement falls), in accordance with the terms of the transaction.
- c) Below are the data on the exchange rate of the dollar and the index:

	Exchange rate		Israeli CPI (*)	
	For the dollar (NIS per \$1 US)	For the Euro (NIS per \$1 Euro)	Known index	Index with respect to
			Points	
Date of the financial statements:				
For June 30, 2018	3.65	4.25	107.50	107.40
For June 30, 2017	3.49	3.98	106.12	106.87
For December 31, 2017	3.46	4.15	106.55	106.44
Percent change:	%	%	%	%
For six months period ending				
June 30, 2018	5.28	2.47	0.90	0.90
June 30, 2017	(9.08)	(1.43)	-	0.70
For year ending: December 31, 2017	(9.83)	2.69	0.4	0.3
(*) 2010 basis				

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Income tax:

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. In order to calculate the average annual effective income tax, the company reduces tax losses that no deferred tax assets were recognized in respect to them, and it expects them to reduce the annual current taxable profit.

The major components of income tax expense in the interim condensed statement of profit or loss are: Current income tax expense, Deferred income tax expense relating to origination and reversal of temporary differences except to the extent that the tax arises from transactions which recognized directly in equity and business combinations.

D. Revenue recognition:

IFRS 15 "Revenue from Contracts with Customers" applies to reporting periods starting on January 1, 2018. The Group has opted to apply the standard retroactively for contracts that have not yet been completed as of January 1, 2018. The comparative figures relating to the year ended December 31, 2017 and to the six-month period ended June 30, 2017 are presented pursuant to the provisions of IAS 18 which was effective prior to the application of IFRS 15.

The first-time application of the standard did not have any effect on the financial statements.

The standard determines a five-step model for application of the standard. According to the model, revenues from contracts with customers are recognized in the statement of comprehensive income when the control over the goods or services is delivered to the customer, the revenue is measured and recognized at the fair value of the consideration that is expected to be received pursuant to the terms of the contract, net of the amounts collected in favor of third parties (such as taxes), the revenue is recognized in the consolidated statements of income or loss where it is probable that the economic benefits will flow to the Group and the revenue and costs, where relevant, can be measured reliably.

Transfer of control

Control is transferred when the Group transfers to the customer possession of the goods and when the significant risks and benefits associated with ownership of the goods have been transferred to the customer. Generally, the date of delivery of the goods is the date on which control was transferred. In transactions involving a mediator, the date of transfer of control is the date on which the goods were delivered to the end customer.

Determining the transaction price

The transaction price is determined based on the fair value of the consideration that is expected to be received pursuant to the terms of the contract, net of amounts collected in favor of third parties. When determining the transaction price, the Group assesses the amounts of credits given to customers and the expected returns and adjusts the amounts of revenue accordingly.

The Group recognizes an asset in respect of products which are expected to be returned by its customers and in respect of which it recognized a provision for return of goods. The amount of the asset is determined based on the lower of cost or net asset value.

Split of revenues in respect of contracts with customers

The Group splits revenues that were recognized from contracts with customers by groups of products – see Note 5(D).

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Accounting policy financial instruments

a) First time application

IFRS 9 – “Financial Instruments” applies to reporting periods starting on January 1, 2018. As a general rule, the provisions of the standard regarding financial assets and financial liabilities were applied retroactively, except for certain exceptions that were set in the standard’s transitional provisions. It was also determined that despite the retroactive application, companies that apply the standard for the first time are not required to restate their comparative figures for previous periods.

The first-time application of the standard does not have a material effect on the financial statements.

b) General

Financial assets are recognized in the statement of financial position when the Group becomes a party to the instruments contractual terms.

Investment in financial assets are recognized for the first time in accordance with their fair value, plus transaction costs, except for financial assets that are classified at fair value through profit or loss, which are recognized for the first time at fair value. Transaction costs in respect of financial assets at fair value through profit or loss are charged immediately as an expense to profit or loss. Subsequent to initial recognition, financial assets will be measured at amortized costs or at fair value according to their classification.

c) Classification of financial assets

Debt instruments are measured at amortized cost when the following two conditions are met:

- The Group’s business model is to hold the assets with the aim of collecting contractual cash flows, and
- The contractual terms of the asset determine precise dates for receipt of the contractual cash flows that constitute principal and interest payments only.

Debt instruments are measured at fair value through other comprehensive income when the following two conditions are met:

- The Group’s business model is to hold the assets with the aim of collecting contractual cash flows and sell them, and
- The contractual terms of the asset determine precise dates for receipt of the contractual cash flows that constitute principal and interest payments only.

All other financial assets are measured at fair value through profit or loss. Despite the above:

On the date of first-time recognition, the Group may designate investments in equity instruments, that are not held for trade and do not constitute contingent consideration in a business combination, at fair value through other comprehensive income. This designation cannot be revoked in subsequent periods and can be made for each investment separately, irrespective of the designation or non-designation of other investments at fair value through other comprehensive income.

On the date of first-time recognition, the Group may designate a financial asset that meets the conditions for classification at amortized cost or at fair value through other comprehensive income

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Accounting policy financial instruments (Cont.)

to fair value through profit or loss when such designation cancels or significantly reduces a recognition or measurement mismatch that would have arisen were it not for this designation.

d) Impairment of financial assets

As to trade receivables in respect of lease and contract assets pursuant to IFRS 15, the Group has opted to apply the lenient approach for measurement of the provision for impairment according to the probability of insolvency over the lifetime of the instrument. Credit losses which are expected in respect of these financial assets are estimated by using a provisions matrix which is used based on the Group's past experience with respect of credit losses, which is adjusted for borrower-specific factors, general economic conditions and an estimation of both the current trend of the conditions and the projected trend of the conditions as of the reporting date, including the time value of money, as needed.

With respect to all other financial instruments, the Group recognizes a provision for impairment according to the projected credit losses throughout the life of the instrument, when there is a significant increase in the credit risk from their date of first-time recognition. If, on the other hand, the credit risk of the financial instrument has not significantly risen from the date of first-time recognition, the Group measures the provision for impairment according to the probability of insolvency in the forthcoming 12 months. The test of whether to recognize a provision for impairment according to the projected credit losses throughout the life of the instrument is based on the risk of default from the date of first-time recognition, and not only when there is objective evidence of impairment on the report date or when the default has actually occurred.

The projected credit losses throughout the life of the instrument are the projected credit losses arising from all possible default events throughout the projected life of a financial instrument. Conversely, projected credit losses in a 12-month period are that part of the projected credit losses throughout the life of the instrument, representing the projected credit losses arising from defaults in a financial instrument that are possible within 12 months after the reporting date.

NOTE 3 - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THE ADOPTION

A. IFRS 16, "Leases"

IFRS 16 introduce comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 and the related interpretations when it becomes effective.

IFRS 16 distinguished leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (all on balance sheet) except for short-term leases and leases of low value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided that IFRS 15 – "Revenue from Contracts with Customers" - is also applied. As a general rule, the standard is applied retrospectively. However, pursuant to the transitional provisions of the standard, entities are permitted to opt for certain adjustments in connection with the application of the standard to previous reporting periods.

B.S.D CROWN LTD.
NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 3 - DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THE ADOPTION (Cont.)

A. IFRS 16, "Leases" (Cont.)

The new standard permits lessees to opt for one of the following application approaches:

1. Full retrospective application: according to this approach, the right-of-use asset and the liability shall be presented in the statement of financial position as if they have always been measured in accordance with the provisions of the new standard. In this case, the effect of the application of the new standard as of the beginning of the earliest presented period shall be carried to equity. Furthermore, the Group will restate the comparative figures. The balance of the liability as of the date of first-time application of the new standard using this approach shall be calculated by using the interest implicit in the lease, unless the rate cannot be readily determined, in which case the incremental interest rate of the lessee at the time of engagement in the lease will be used.
2. Modified retrospective application – according to this approach, entities will not be required to restate the comparative figures. The balance of liability as of the date of first-time application of the standard shall be calculated by using the incremental interest rate of the lessee as of the date of first-time application. As to the balance of the right-of-use asset, the Group may decide, on a lease-by-lease basis, to apply one of the following two alternatives:
 - Recognizing an asset at the amount of the liability that was recognized, with certain adjustments.
 - Recognizing an asset as if it has always been measured pursuant to the provisions of the new standard.

Any differences arising upon initial application of the new standard as a result of modified retrospective application shall be carried to equity.

The Group estimates that it will opt to apply the modified retrospective application approach upon first-time application of the new standard, and the amount of right-of-use assets will be equal to the amount of lease liabilities as presented on transition date.

Discount rate – according to the modified retrospective application approach, the Group examines the manner of determining the lessee's incremental interest rate that will be used to measure the lease liabilities and the right-of-use asset on the date of first-time application of the standard. The discount rate used to measure the lease liability ranges between 2% to 3%.

The Group has tens of private vehicles which it leases from the leasing companies; as of the date of these financial statements, this lease is accounted for as operating lease. In the opinion of the Group, upon first-time application of the standard, the accounting treatment will be changed and the Group will recognize, on the one hand, an asset in respect of the usage rights and on the other hand, a financial liability in respect of the lease fees.

At this stage, the Group estimates that as a result of the first-time application of the new standard as of January 1, 2019, its net assets will increase by approximately NIS 2-2.3 million and its total net liabilities will increase by the same amount.

B.S.D CROWN LTD.**NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****NOTE 4 - FINANCIAL INSTRUMENTS****Financial instruments that are not measured at fair value:**

Except as detailed in the following table, the Group believes that the carrying amount of financial assets and liabilities that are presented at amortised cost in the financial statements approximates their fair value.

Financial assets at fair value:

	30 June 2018			
	Unaudited			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial assets at fair value through profit or loss:				
Financial asset at fair value through profit or loss	<u>147,378</u>	<u>-</u>	<u>6,761</u>	<u>154,139</u>

	30 June 2017			
	Unaudited			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial assets at fair value through profit or loss:				
Financial asset at fair value through profit or loss	<u>109,180</u>	<u>-</u>	<u>-</u>	<u>109,180</u>

	31 December 2017			
	Audited			
	Level 1	Level 2	Level 3	Total
	NIS in thousands			
Financial assets at fair value through profit or loss:				
Financial asset at fair value through profit or loss	<u>141,720</u>	<u>-</u>	<u>-</u>	<u>141,720</u>

B.S.D CROWN LTD.
NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 5 - OPERATING SEGMENTS

A. General:

Upon the completion of the Company's acquisition of WFI in May 2014, the Group's main activity and its sole operating segment are import, marketing and distribution of food products to retail chains, supermarkets, wholesalers, and institutions mainly in Israel.

An operating segment is identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance.

B. Reporting segments:

	Six months ended 30 June		Year ended 31 December
	Unaudited		Audited
	NIS in thousands		
	2018	2017	2017
Revenues			
Import marketing and distribution of food products	171,781	159,936	312,214
Other	-	140	140
	<u>171,781</u>	<u>160,076</u>	<u>312,354</u>
Segment income (loss)			
Import marketing and distribution of food products	13,768	1,167	9,555
Other (*)	(2,479)	(3,649)	(7,248)
	<u>11,289</u>	<u>(2,482)</u>	<u>2,307</u>
Operating gain (loss)	<u>11,289</u>	<u>(2,482)</u>	<u>2,307</u>
Financial income, net	<u>4,446</u>	<u>460</u>	<u>8,408</u>
Income (loss) before taxes	<u>15,735</u>	<u>(2,022)</u>	<u>10,715</u>

(*) Others includes mainly unallocated corporate general and administrative expenses.

C. Revenues from major customers that contributed 10% or more to the Company's group (the "Group") revenues (as percentage of the total revenue):

	Six months ended 30 June				Year ended 31 December	
	2018		2017		2017	
	Unaudited		Unaudited		Audited	
	NIS in thousands	%	NIS in thousands	%	NIS in thousands	%
Customer A	<u>25,672</u>	<u>15</u>	<u>27,151</u>	<u>17</u>	<u>50,053</u>	<u>16</u>

B.S.D CROWN LTD.
NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 5 - OPERATING SEGMENTS (Cont.)

D. Revenues from main products (as percentage of the total revenue):

	Six months ended 30 June				Year ended	
	2018		2017		31 December	
	<u>Unaudited</u>		<u>Unaudited</u>		<u>Audited</u>	
	<u>NIS in</u> <u>thousands</u>	<u>%</u>	<u>NIS in</u> <u>thousands</u>	<u>%</u>	<u>NIS in</u> <u>thousands</u>	<u>%</u>
Canned vegetables	28,191	16.4	26,005	16.3	48,339	15.5
Dairy and dairy substitute products	69,214	40.3	63,628	39.8	118,800	38.1
Canned fish	26,307	15.3	23,067	14.4	50,684	16.2
Grain- rice and pasta	17,425	10.1	15,345	9.6	29,671	9.5
Other	30,644	17.8	31,891	19.9	64,720	20.7
Total	<u>171,781</u>	<u>100</u>	<u>159,936</u>	<u>100</u>	<u>312,214</u>	<u>100</u>

NOTE 6 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS

- A.** On 5 May 2017 a General Meeting of the shareholders of BSD ("GM") was held and pursuant to the GM results (the "Results") all incumbent non- external directors were dismissed from their position and all non- external directors suggested by Mr. Joseph Williger were elected. On 23 July 2018 an Annual General Meeting was held and the acting directors Joseph Williger, Zwi Williger, Avi Zigelman and Gil Hochboim were re-elected as directors until the next annual general meeting. Furthermore, BDO Israel were appointed as the Company's external auditors until the next annual general meeting due to Deloitte (Brightman Almagor Zohar & Co.) notice about the termination of its services as the independent auditor of the Company and its subsidiaries ("Notice"), following a resolution that was passed by the Company's Board of Directors to file a lawsuit against the Company's auditor and against others as detailed in Note 6(C) below. According to the Notice, such a legal dispute impairs the independence of the auditor.
- B.** On 15 January 2018 an indictment was filed at the economic department of the Tel Aviv District Court, against the former ultimate controlling shareholders of the Company, Mr. Alexander Granovsky and Mr. Gregory Gurtovoy and against the former Chief Executive Officer of the Company, Mr. Israel Jossef Schneerson (together herein, the "Accused").

According to the indictment the Accused used the deposits of the Company's and its former parent company, BGI Investments (1961) Ltd., that were deposited in foreign banks, as collateral for loans taken by private companies related to the Accused, without having received applicable approvals by law. According to the indictment, the total amount of the misappropriated funds by the Accused, is USD 60 million. The said amount includes the sum of approximately USD 3 million (approximately NIS 10.4 million) that were transferred from WFINT's subsidiary bank account for investment in the bonds of a European company, and which, served as a sort of collateral for a loan made for the needs of the former Company's (ultimate) controlling shareholder or another.

The indictment attributes to the Accused to the following infringements: theft by officer, fraudulent conversion, fraud and breach of trust, falsification of corporate documents, breaches of reporting obligations under the Israeli Securities Authority Law, non-compliance with the provisions of the Israel Securities Authority with respect to misleading reasonable investors and offenses under section 4 of the Israeli Money Laundering Law.

B.S.D CROWN LTD.
NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

B. (Cont.)

The Company wishes to clarify that the Accused no longer hold any positions in the Company and / or any of its subsidiaries.

- C.** On July 19, 2016, an action, together with a motion to certify it as a derivative action, was filed with the Tel Aviv District Court (the Economic Department), by Dan Iram (hereinafter: the "Applicant"), a shareholder in BGI Investments (1961) Ltd. (hereinafter: "BGI"), against BGI; the

Company; the Company's past auditors; and the former officers of the companies (hereinafter: "Respondent"). In light of the fact that the judges of the Economic Department were precluded from hearing the action, the case was transferred to the Central District Court ("the Court").

In the motion to certify it was claimed that an amount of approximately USD 46 million, which was deposited by the Company with foreign banks, had been unlawfully pledged in favor of private companies that are related to the former controlling shareholders of the Company. According to the Applicant, the former controlling shareholders, and the Company's officers and auditors at the time, violated their obligations towards the companies in a manner that establishes a cause of action for the Company.

On February 20, 2018, a pre-trial hearing was held with respect to the motion to certify, whereby it was determined that the Company will update the Court by March 20, 2018, whether it wishes to make independent use of its causes of action against the respondents in the motion to certify. On 22 March 2018 the Court dismissed the application for stay of proceedings submitted by part of the Respondents. On 26 March 2018 the Company updated the Court regarding its intent to file a claim on its behalf within 60 days.

On 21 June 2018 the Company filed a claim against its past directors and officers, the former controlling shareholders and Company's past auditors including the foreign banks ("Company's Motion"). Following Company's Motion, the Applicant filed a request to withdraw the original motion. On 2 August 2018 the Court approved the Applicant request and it also decided that the Defendants will file their response until 15 October 2018.

According to the Company's legal advisers, and due to the preliminary stage of the proceeding, the Company is unable to assess the chances of the motion filed by the Company to certify.

- D.** On 3 September 2017, an Originating Motion was filed with the Tel Aviv District Court (the Economic Department) by BGI Investments (1961) Ltd. and Israel 18 (hereinafter together: "the Applicants") against the Company and the directors serving in the Company.

In the motion, the Applicants object to the decision of the Company's Board of Directors to sell dormant shares of the Company and ask that it be voided because, according to the Applicants, the sale of such dormant shares was not done in accordance with the provisions of the Companies Law and the Company's Articles of Association and was not classified as a transaction in which the Company's controlling shareholder have a personal interest, or alternatively, the Applicants moved to instruct the Company and its directors, including the controlling shareholder, to transfer 19,350,000 shares (the total of the dormant shares sold) to the Company for no consideration. Alternatively, the Applicants request an order that the shares sold be dormant shares.

The Court was also asked to declare that the appointment of Mr. Shlomo Wertheim as an external director is null and void, and that all Company decisions that required the participation of an external director and which were made with his participation are null and void.

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

D. (Cont.)

On 1 October 2017, the Court allowed the Applicants to include the purchasers as defendants in the proceeding, without expressing any opinion regarding the results of the proceeding. Accordingly, on October 8, 2017 the Applicants filed a motion for leave to serve process on the purchasers outside the jurisdiction. Leave was granted on October 19, 2017.

On 12 December 2017, the Applicants announced their intention to amend the Originating Motion, claiming that they had been exposed to developments indicating that the sale of the shares was intended to enable the current controlling shareholder to avoid making a special tender offer. On 8 January 2018, the Applicants announced that in the framework of the motion to amend the Originating Motion, they will request to file the amended claim in a "regular" civil proceeding namely as a statement of claim (instead of an originating motion). The Applicants have applied to the Court for an extension for the filing of the amended statement of claim, the court approved the Applicants to file the "regular" civil proceeding until 25 March 2017. On 25 March 2018, the Applicants filed a request to Court to approve the cancellation of the process, subject to the payment of NIS 200,000 to the Company, which will be paid only if the Applicants (or anyone acting on their behalf) will raise claims against the Company and / or its directors in the future. On 29 March 2018 the Court approved the Applicants request and the withdrawal of the motion.

E. Supplementary information and Subsequent events in WFI

- 1) On 1 January 2018 Mr. Michael Luboschitz was nominated as CEO of WFI and WFINT.
- 2) On January 2016 an investment was made by BHWFI Ltd., a company wholly owned by WFINT ("BHWFI"), under a letter of undertaking to purchase 300 bonds (debentures) of par value USD 10,000 each (the "Letters of Undertaking"). The bonds bore an annual interest of 6%, paid twice annually. The first payment is on June 30 and the second on December 31 of each year, as of the date they were issued and until the date of final payment – December 31, 2018. The issuer had the right to redeem the bonds early, with prior notice of 30 days, without penalty.

On December 30, 2016, BHWFI and the issuer executed an agreement for early redemption of the bonds (hereinafter: the "Agreement"), in consideration of USD 1.8 million that would be paid by February 15, 2017. Similarly, in the framework of the terms of the agreement, the issuer waived all of its claims against BHWFI, including an additional supposed undertaking for an additional investment in the bonds, up to the sum of USD 5 million (NIS 17.3 million).

On March 21, 2017 and July 6, 2017, payments in the sum of USD 200 thousand (NIS 770 thousand) and USD 400 thousand (NIS 1,412 thousand), respectively, was received.

As a result, WFI recognized it in its 2017 financial statements as an income in the profit or loss in the amount that was received.

On 26 March 2018 WFINT received an additional payment in the amount of USD 1,145 thousands (NIS 3,970 thousand) that were recognized in the financial income in the profit or loss report.

- 3) On February 24, 2016, a motion to certify a class action claim (the "Motion") was received at the WFI's offices. The Motion was submitted to the Economic Division of the District Court in Tel Aviv by the Yaad Pe'er Management Services Ltd. (the "Petitioner") company, which claims it holds shares in WFI. The lawsuit is against all of WFINT's directors as well as officers in WFINT ("Defendants"). WFI and WFINT were joined as respondents to the motion.

The certification motion deals with the Petitioner's claim of damages incurred by WFI, which are assessed by the Petitioner at the filing of the Motion, at approximately USD 3 million

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

E. Supplementary information and Subsequent events in WFI (Cont.)

3) (Cont.)

because of claimed breaches of the duties of faith, care, and skill, by the directors and officers toward WFI in connection with an investment in the sum of USD 3 million in a company registered in the Czech Republic, and that holds a hotel in the Czech Republic that is inactive. The Petitioner claims that the investment has no connection to WFI's activities, and it apparently serves in assisting the former controlling shareholder in the Company in other matters or to cover other obligations that he has.

Taking note of the investigation being conducted by the Securities Authority (the "Authority"), inter alia, regarding matters that have arisen in the framework of this litigation, in the framework of which restrictions were imposed that prevent the WFI's officers who are respondents to the certification motion from conversing with the WFI's attorneys in the framework of the certification motion – the deadline for submission of the WFI's response to the motion to certify a derivative lawsuit has been extended. On September 27, 2016, the Authority filed a notice updating the court, in which it requested that the restrictions that it imposed remain in effect for an additional 6 months. On October 5, 2016, WFI submitted a response to the Authority's update notice, in which it requested an extension of the deadline for submission of the WFI's response to the certification motion to 60 days after the restrictions imposed by the Authority are removed. On January 22, 2017, the court held that in light of the Authority's restrictions, at this stage, the deadline for submission of the Company's response must be postponed. On May 10, 2017 after the court re-examined the Petitioner's claim, the court decided that the deadline for submission of its response will be at least 60 days from the date on which the restrictions imposed by the Authority are removed. On 3 July 2017 the court decided that the Authority will file an update to its notice until 15 September 2017. On 14 September 2017, the Authority submitted an update notice to the Court, stating that the restrictions had not yet been removed. On September 14, 2017, the Court decided that the Authority would submit an additional update to the Court until 7 December 2017.

In the beginning of January 2018 the Authority submitted an update notice to the Court, stating that the restrictions had been removed although Defendants that have been restricted by the Authority will not be allowed to meet in groups in order to prepare the response. The court decided on the 11 January 2018 that the Defendants will file their response within 60 days. On 18 February 2018 several Defendants filed a request for stay in proceeding until the completion of the criminal proceeding or until all the restriction will remove. On 26 February the court approved the Dependents request.

On 4 March 2018 WFI filed its response to the Court and therefore it does not object to the application. On 12 April 2018 the Authority filed its response to the application and therefore it does not express its position regarding the application.

- 4) On 23 July 2017 a labor claim was filed by Mr. Iram Graiver, former CEO of WFINT and president of WFINT, against WFINT to the Regional Labor Court in Tel-Aviv in the amount of approximately NIS 2.4 million with respect to the termination of his employment on 5 July 2017. On 27 July 2017 WFINT filed a counterclaim against the employee in the amount of approximately NIS 1.7 million. On 26 November 2017 Mr. Graiver filed a statement of defense. Preliminary hearing was held on 7 March 2018. The parties are currently at the stage of documents' disclosure and perusal. No date has been set for filing of affidavits and for an evidence hearing.

Taking note of the preliminary stage of this case, it is not yet possible to assess the likelihood of the lawsuit's success. In accordance with the above, WFI's management stipulates that the registration in WFI's Financial Statements and in Notes to the Financial Statements with respect to the proceeding matters above, is sufficient.

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

E. Supplementary information and Subsequent events in WFI (Cont.)

- 5) On 3 January 2018, WFINT was served with a lawsuit and a motion to certify it as a class action to the District Court, in the cause of unlawful labeling of products imported and sold by WFINT in a way that allegedly misleads the public of consumer. The total amount of the claim is currently NIS 2.7 million. WFINT and the plaintiff reached a compromise agreement whereby the plaintiff will withdraw his lawsuit and the lawsuit will be struck out at an immaterial cost to WFINT. On July 18, 2018, the District Court approved the compromise agreement and the withdrawal of the lawsuit.
- 6) On 26 March 2018, a lawsuit was filed to the Tel-Aviv District Court together with an application to approve the lawsuit as a class action against WFINT for allegedly breaching consumer protection obligations in connection with one of its products, thereby allegedly misleading the consumers. At this stage, the amount claimed is NIS 2.7 million since the party that filed the application does not have data as to the extent of the damage. WFINT is required to file its response with regard to the lawsuit until 15 September 2018. Preliminary hearing was scheduled on 19 December 2018. Because of the preliminary stages of the proceedings it is not possible to estimate WFI's chances of prevailing in the lawsuit.
- 7) A lawsuit and an application to approve the lawsuit as a class action was filed on July 22, 2018 to the Jerusalem District Court against Gold Frost, a company wholly owned by WFINT (hereafter – "Gold Frost"), and eight other companies, for allegedly not complying with the food labelling regulations in connection with one of its products thereby allegedly misleading consumers. At this stage, the amount specified in the lawsuit is NIS 4 million, since according to the plaintiff he does not have any data regarding the extent of the damage. Gold Frost is required to file a reply to the lawsuit by December 10, 2018. Because of the preliminary stages of the proceedings, it is not possible to estimate Gold Frost's chances of prevailing in the lawsuit.
- 8) In January 2015, a lawsuit was lodged in the court of first instance in Valencia against WFINT and against Gold Frost, (hereafter – "the Companies") by a Spanish food manufacturer (hereafter – "the Plaintiff"), with whom Gold Frost entered into an agreement for the production of Kosher food products in Spain and for the sale of these products by Gold Frost. The lawsuit was lodged in connection with a financial dispute in respect of a debt which was allegedly not paid to the Plaintiff; the Plaintiff also demands that the Companies compensate it for products it had produced and which, according to the statement of claim, were not collected by the Companies, and as a result the Plaintiff had to destroy them.

On July 7, 2015 the Companies were served by post with judicial documents in the Spanish language. These judicial documents pertained to service of a legal procedure in the court of first instance in Valencia. A further service of process was carried out in December 2015. In this case as well the judicial documents were in the Spanish language.

On March 3, 2016, the court of first instance in Valencia, Spain, allowed the lawsuit against the Companies in an ex parte proceeding and ruled payment by the Companies of app. € 530 thousand (NIS 2.2 million) (hereafter – "Spanish Ruling"). In April 2016, the Companies received the Spanish Ruling in the Spanish language and also a translation of the Spanish Ruling into English.

In December 2017, an enforcement order in the Spanish language was received at the Companies's offices. In the order, which was issued on November 22, 2017, the Companies are asked to provide details of assets and/or bank accounts for the purpose of enforcing the ruling in Spain.

WFINT and its legal advisors are of the opinion that the Companies have grounds to demand the cancellation of the Spanish Ruling due to the fact that the judicial documents

B.S.D CROWN LTD.
NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - SUPPLEMENTARY INFORMATION AND SUBSEQUENT EVENTS (Cont.)

E. Supplementary information and Subsequent events in WFI (Cont.)

8) (Cont.)

were served in the Spanish language, and due to the fact that the Plaintiff did not pursue the procedure set in the agreement between the parties, whereby disputes will be resolved in accordance with international law by an arbitrator that will be agreed upon by both parties.

As of the date of these financial statements, the Companies hired the services of a Spanish attorney in order to file a demand for the cancellation of the Spanish Ruling based on the aforesaid claims. If the claim of unlawful service of process and the claim regarding the Plaintiff's ignoring the arbitration procedure are rejected by the court in Spain, and if the Plaintiff will file an application to enforce the ruling in Israel, WFINT may object to enforcement of the Spanish Ruling in Israel based on those claims. WFINT also believes that it has good defenses against the claims made in the lawsuit, should the Plaintiff lodge a lawsuit in Israel, or if the parties ask an agreed-upon arbitrator to resolve the dispute as set out in the agreement that was signed between the parties in 2011.

In view of the above, WFINT's management is of the opinion that the record and disclosure provided in the financial statements and in the notes to the financial statements in respect of the Spanish Ruling is sufficient.

- 9)** On October 19, 2017 WFINT announced it received a notice from Arla Foods amba ("Arla"), one of the main suppliers of WFI in the dairy and dairy substitute products, to end their exclusive distribution agreement effective as of December 31, 2017.

The termination of the Exclusive Distribution Agreement with Arla may have a significant negative impact on WFI Group operating results although the WFI Group believes that it will be able to enter into agreements with alternative suppliers for a portion of the products currently purchased from Arla.

Meetings between WFI's subsidiary and Arla were held and the parties agreed that WFI's subsidiary will continue to purchase Arla's products for until the end of the third quarter of 2018.