

Edgar Filing: G WILLI FOOD INTERNATIONAL LTD - Form 6-K

G WILLI FOOD INTERNATIONAL LTD

Form 6-K

September 29, 2008

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

Date of the Report: September 29, 2008

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G. WILLI-FOOD INTERNATIONAL LTD.  
(Translation of registrant's name into English)

4 NAHAL HARIF ST., YAVNE, ISRAEL 81106  
(Address of principal executive offices)

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Indicate by check mark whether 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 if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1): \_\_\_\_\_.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7): \_\_\_\_\_.

Indicate by check mark whether registrant 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-\_\_\_\_\_.

EXPLANATORY NOTE

Attached hereto and incorporated by reference herein are the following:

ITEM 1 - Consolidated financial statements of G. Willi-Food International Ltd. for the six month period ended June 30, 2008, prepared in accordance with International Financial Reporting Standards ("IFRS"). (these financial statements are in addition to the second quarter 2008 results that were contained in a press release dated August 27, 2008 and filed under Form 6-K that day):

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- a. Condensed Consolidated Balance Sheets as of June 30, 2008 (unaudited) and December 31, 2007.
- b. Condensed Consolidated Statements of Operations for the six and three month periods ended June 30, 2008 and June 30, 2007 (unaudited).
- c. Statements of Shareholders' Equity for the period ended June 30, 2008 (unaudited).
- d. Condensed Consolidated Statements of Cash Flows for the six and three month periods ended June 30, 2008 and June 30, 2007 (unaudited).
- e. Notes to Condensed Consolidated Financial Statements.

### ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operation.

This report on Form 6-K shall be deemed to be incorporated by reference in the Registration Statement on Form F-3 (File No. 333-11848 and 333-138200) of the Company.

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### SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

G. WILLI-FOOD INTERNATIONAL LTD.

By: /s/ Ety Sabach

-----  
Ety Sabach  
Chief Financial Officer

Dated: September 29, 2008

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### ITEM 1

G. WILLI-FOOD INTERNATIONAL LTD.

#### INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### G. WILLI-FOOD INTERNATIONAL LTD. CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30, ----- 2 0 0 8 -----	DECEMBER 31, ----- 2 0 0 7 -----	JUNE 30, ----- 2 0 0 7 -----
	NIS		
	-----		
	(IN THOUSANDS)		
	-----		
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	46,712	61,649	13,9
Marketable securities	32,413	31,267	9,6
Trade receivables	77,188	63,728	23,0
Other receivables and prepaid expenses	9,406	4,374	2,8
Inventories	33,469	29,166	9,9
	-----	-----	-----
TOTAL CURRENT ASSETS	199,188	190,184	59,4
	-----	-----	-----
<b>FIXED ASSETS</b>			
Cost	54,447	44,569	16,2
Less: accumulated depreciation and amortization	11,658	8,355	3,4
	-----	-----	-----
	42,789	36,214	12,7
	-----	-----	-----
<b>OTHER ASSETS</b>			
Goodwill	8,164	1,795	2,4
Deferred expenses	10,731	10,815	3,2
Intangible assets	2,806	103	8
Deferred tax	404	356	1
	-----	-----	-----
	22,105	13,069	6,5
	=====	=====	=====
	264,082	239,467	78,7
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term loans	14,053	5,978	4,1
Trade payables	40,981	33,961	12,2
Related parties	2,475	3,945	7
Other payables and accrued expenses	13,527	3,655	4,0
	-----	-----	-----
TOTAL CURRENT LIABILITIES	71,036	47,539	21,1
	-----	-----	-----

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LONG TERM LIABILITIES			
Long term loan	953	-	2
Deffered tax	38	118	
Accrued severance pay	598	163	1
	-----	-----	-----
TOTAL LONG TERM LIABILITIES	1,589	281	4
	-----	-----	-----
WARRANTS TO ISSUE SHARES	101	1,040	
	-----	-----	-----
SHAREHOLDERS' EQUITY			
Ordinary shares NIS 0.10 par value (authorized - 50,000,000 shares, issued and outstanding - 10,267,893 shares	1,113	1,113	3
Additional paid-in capital	59,303	59,056	17,6
Foreign currency translation reserve	(863)	(414)	(2
Retained earnings	118,842	112,233	35,4
Minority Interest	12,961	18,619	3,8
	-----	-----	-----
	191,356	190,607	57,0
	=====	=====	=====
	264,082	239,467	78,7
	=====	=====	=====

(\*) Convenience translation into U.S. dollars

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G. WILLI-FOOD INTERNATIONAL LTD.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS		THREE MONTHS	
	-----			
	ENDED JUNE 30,			
	2 0 0 8	2 0 0 7	2 0 0 8	2
	-----	-----	-----	-----
	NIS			
	-----			
	I N T H O U S A N D S (EXCEPT PER SH			
	-----			
Sales	185,481	127,216	79,036	
Cost of sales	138,659	93,439	62,271	
	-----	-----	-----	-----
GROSS PROFIT	46,822	33,777	16,765	
	-----	-----	-----	-----
Selling expenses	17,538	12,316	8,436	
General and administrative expenses	13,901	8,566	7,752	
Other (income) expense	1,981	(9)	1,981	
	-----	-----	-----	-----
Total operating expenses	33,420	20,873	18,169	

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OPERATING INCOME (LOSS)	13,402	12,904	(1,404)	
Financial income	2,026	2,534	1,207	
Financial expense	3,465	3,025	936	
Income (loss) before taxes on income	11,963	12,413	(1,133)	
Taxes on income	3,750	2,861	312	
INCOME (LOSS) AFTER TAXES ON INCOME	8,213	9,552	(1,445)	
RELATED TO:				
Company Shareholders'	6,609	7,455	(1,986)	
Minority interest	1,604	2,097	541	
NET INCOME (LOSS)	8,213	9,552	(1,445)	
Earnings per share data:				
Earnings per share:				
Basic	0.64	0.73	(0.19)	
Diluted	0.64	0.73	(0.19)	
Shares used in computing basic and diluted earnings per ordinary share:	10,267,893	10,267,893	10,267,893	10,

(\* ) Convenience translation into U.S. dollars

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G. WILLI-FOOD INTERNATIONAL LTD.  
CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY

	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	FOREIGN CURRENCY TRANSLATION DJUSTMENTS	RETAINED EARNINGS NIS
				NIS
				(IN THOUSANDS)
BALANCE - JANUARY 1, 2007	1,113	59,056	-	109,891

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Foreign currency translation reserve	-	-	(414)	-
Purchase of subsidiary	-	-	-	-
Purchase of additional shares in subsidiary	-	-	-	-
Net income for the period	-	-	-	2,342
	-----	-----	-----	-----
BALANCE - DECEMBER 31, 2007	1,113	59,056	(414)	112,233
Foreign currency translation reserve	-	-	(449)	-
Purchase of subsidiary	-	-	-	-
Purchase of additional shares in subsidiary	-	247	-	-
Net income for the period	-	-	-	6,609
	-----	-----	-----	-----
BALANCE - JUNE 30, 2008	1,113	59,303	(863)	118,842
	=====	=====	=====	=====

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G. WILLI-FOOD INTERNATIONAL LTD.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS		THREE MONTHS
	ENDED JUNE 30,		
	2 0 0 8	2 0 0 7	2 0 0 8
	NIS		
	(IN THOUSANDS)		
CASH FLOWS - OPERATING ACTIVITIES			
Net income (loss)	8,213	9,552	(1,445)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and amortization	2,266	819	1,173
Deferred income taxes	(128)	(69)	(290)
Gain on disposition of fixed assets	-	(9)	-
Unrealized loss (gain) on marketable securities	306	(813)	(204)
Revaluation of loans from banks	31	-	158
CHANGES IN ASSETS AND LIABILITIES:			
Decrease (Increase) in:			
Trade accounts receivable	(18)	(13,662)	22,018
Receivables and other current assets	(3,923)	512	(713)

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Inventory	(1,681)	(3,950)	18,056
Deferred expenses	106	27	52
Increase (Decrease) in:			
Trade accounts payable	(4,070)	12,460	(10,839)
Payables and other current liabilities	5,161	(3,160)	(2,335)
warrants to issue shares of subsidiary	(939)	2,498	(626)
Accrued severance pay, net	84	(102)	66
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,408	4,103	25,071

(\* ) Convenience translation into U.S. dollars.

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G. WILLI-FOOD INTERNATIONAL LTD.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS		THREE MONTHS
	ENDED JUNE 30,		
	2 0 0 8	2 0 0 7	2 0 0 8
	NIS		
	(IN THOUSANDS)		
CASH FLOWS - INVESTING ACTIVITIES			
Proceeds from realization (purchase) of marketable securities, net	(1,452)	(17,757)	(1,823)
Purchase of additional shares in subsidiary	(9,250)	-	-
Purchase of subsidiary	(7,108)	(15,400)	(880)
Additions to fixed assets	(1,714)	(9,068)	(723)
Additions to intangible assets	(50)	-	(50)
Long term deposit, net	(35)	-	13
Proceeds on disposition of fixed assets	-	9	-
NET CASH USED IN INVESTING ACTIVITIES	(19,609)	(42,216)	(3,463)
CASH FLOWS - FINANCING ACTIVITIES			
Short-term bank credit, net	-	-	(140)
Short-term bank payments	(2,403)	-	(2,041)
Short-term bank borrowings	1,951	6,374	1,198
NET CASH PROVIDED BY FINANCING ACTIVITIES	(452)	6,374	(983)

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EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN SUBSIDIARY	(284)	(218)	(102)
Net change in cash and cash equivalents	(14,937)	(31,957)	20,523
Cash and cash equivalents at beginning of year	61,649	91,398	26,189
Cash and cash equivalents at end of year	46,712	59,441	46,712
SUPPLEMENTAL CASH FLOW INFORMATION:			
Acquisition of intangible assets on credit	1,950	-	1,950

(\* ) Convenience translation into U.S. dollars.

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G. WILLI-FOOD INTERNATIONAL LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

The unaudited Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2007 included in the Company's Annual Report on Form 20-F.

The Company's consolidated financial results are presented in accordance with International Financial Reporting Standards ("IFRS"). In prior years the Company prepared its financial reports in accordance with generally accepted accounting principles in Israel ("IL GAAP"). The Company recasted the comparative amounts included in this financial results to IFRS.

NOTE 2 - DIFFERENCES BETWEEN IFRS AND U.S. GAAP

A. In accordance with U.S. GAAP, SFAS No. 115, changes in trading securities should be presented in the statement of cash flows as part of the operating activities. The following table provides a reconciliation of the Statements of Cash flows for the six and three month periods ended June 30, 2008 and June 30, 2007 in accordance with U.S. GAAP:

SIX MONTHS ENDED JUNE, 30		THREE MONTHS ENDED JUNE, 30		
2 0 0 8	2 0 0 7	2 0 0 8	2 0 0 7	
-----	-----	-----	-----	
NIS				
-----				
(IN THOUSANDS)				
-----				



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Net cash provided by operating activities before adjustment	5,408	4,103	25,071	20,418
Adjustment	(1,452)	(17,757)	(1,823)	(15,731)
	-----	-----	-----	-----
Net cash provided by (used in) operating activities after adjustment	3,956	(13,654)	23,248	4,687
	=====	=====	=====	=====
Net cash used in investing activities before adjustment	(19,609)	(42,216)	(3,463)	(18,313)
Adjustment	1,452	17,757	1,823	15,731
	-----	-----	-----	-----
Net cash used in investing activities before adjustment	(18,157)	(24,459)	(1,640)	(2,582)
	=====	=====	=====	=====

- B. In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and was adopted by the Company in 2007.

A reconciliation of the beginning and ending amount of unrecognized tax Benefit is as follows:

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G. WILLI-FOOD INTERNATIONAL LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - DIFFERENCES BETWEEN ISRAELI AND U.S. GAAP (CONT.)

B. (CONT.)

	JUNE 30, 2008	DECEMBER 31, 2007
	---	---
	NIS	
	-----	
	(IN THOUSANDS)	
	-----	
Beginning balance as of the beginning of the year	639	229
Additions:		
Tax positions for current year	-	410
	---	---
Ending balance	639	639
	===	===

Total Interest and penalties relating to unrecognized tax benefit for the year were not material.

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In accordance to the company policy interest expenses related to tax authorities are classified in financial expenses and penalties related to tax authorities are classified in general and administration expenses

(\*) Convenience translation into U.S. dollars

- C. In accordance with IFRS IAS 32 (the local GAAP of the Company starting January 1, 2008) options which their exercise price is linked to the Israeli CPI has to be classified as liabilities and subsequently marked to market through earnings. Under US GAAP EITF 00-19, these options can be classified in equity, initially measured at fair value. Subsequent changes in values are not recognized as long as the options still meet the criteria for classification in equity.

	SIX MONTHS ENDED JUNE, 30		THREE MONTHS ENDED JUNE, 30		SIX MONTH ENDED JUNE, 30	
	2 0 0 8	2 0 0 7	2 0 0 8	2 0 0 7	2 0 0 8 (*)	2 0 0 8
	NIS				US DOLLARS	
	(IN THOUSANDS)					
Net income (loss) before adjustment	8,213	9,552	(1,445)	3,186	2,450	2,850
Adjustment	(685)	2,141	(457)	658	(204)	630
Net income (loss) after adjustment	7,528	11,693	(1,902)	3,844	2,246	3,480

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### ITEM 2

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The Company is an Israeli-based company engaged, directly and through subsidiaries, in the design, import, manufacturing, marketing and distribution of a broad range of food products purchased from over 120 suppliers worldwide and marketed throughout Israel, and to a much lesser extent, the areas administered by the Palestinian Authority. The products imported by the Company are marketed in Israel and sold to over 2,000 customers, including supermarket chains in the organized market, private supermarket chains, mini-markets, wholesalers, manufacturers and institutional consumers. The Company also sells its products outside Israel to a variety of customers around the world (U.S., Canada, England, Belgium, France, Switzerland, Australia, South America, Mexico, Argentina and Chile), mainly by its subsidiary Baron and Kirkeby.

The Company was incorporated in Israel in January 1994 and commenced operations in February 1994.

Since the beginning of last year, the Company has taken steps to expand its business inside and outside of Israel. In January 2008, the company purchased 51% of the interests of Shamir Salads (2006) Ltd. - an Israeli manufacturer and

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distributor of pre-packaged chilled kosher Mediterranean dips and spreads in Israel and abroad, and in February 2008, the Company's subsidiary Gold Frost purchased 51% of the interests from the owners of a dairy distributor in Denmark Kirkeby International Foods A/S.

The financial information below reflects the operations of the Company and its subsidiaries on a consolidated basis.

SIX MONTHS ENDED JUNE 30, 2008

### SALES

Revenues for the six-month period ended June 30, 2008 increased 45.8% to NIS 185.5 million (US \$55.3 million) compared to revenues of NIS 127.2 million (US \$38.0 million) in the six-month period ended June 30, 2007. The increase in revenues was driven by the Company's organic growth in the home market and its expansion of new business units as mentioned above.

### GROSS PROFIT

Gross profit for the six-month period ended June 30, 2008 increased 38.6% to NIS 46.8 million (US \$14 million), or 25.2% of sales, compared to gross profit of NIS 33.8 million (US \$10.1 million) for the six-month period ended June 30, 2007, or 26.6% of sales.

### SELLING AND MARKETING EXPENSES

Sales and marketing expenses for the six-month period ended June 30, 2008 increased 42.4% to NIS 17.5 million (US \$5.2 million) compared to NIS 12.3 million (US \$3.7 million) in the six-month period ended June 30, 2007. The increase was mainly due to the consolidation of our new business units.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six-month period ended June 30, 2008 increased 62.3% to NIS 13.9 million (US \$4.1 million) compared to NIS 8.6 million (US \$2.6 million) in the six-month period ended June 30, 2007. The increase was mainly due to the consolidation of our new business units and due to the transitional activities related to the closing down of WF Kosher Food Distributors Ltd. - Laish Israeli ("WF LAISH"), in the amount of approximately NIS 2.6 million (US \$0.8 million).

### OTHER EXPENSE

Other expense for the six-month period ended June 30, 2008 was due to a final arbitration award entered against the Company for damages in the amount of NIS 2.0 million (\$0.6 million) in connection with a dispute with the Vitaroz Corp.

### OPERATING INCOME

Operating income for the six-month period ended June 30, 2008 increased 3.9% to NIS 13.4 million (US \$4.0 million) from NIS 12.9 million (US \$3.9 million) reported in the six-month period ended June 30, 2007.

### FINANCIAL INCOME (EXPENSE)

Financial income for the six-month period ended June 30, 2008 decreased 20% to NIS 2.0 million (US \$0.6 million) compared to NIS 2.5 million (US \$0.8 million)

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in the six-month period ended June 30, 2007. Financial expense for the six-month period ended June 30, 2008 increased 14.5% to NIS 3.5 million (US \$1.0 million) compared to NIS 3.0 million (US \$0.9 million) in the six-month period ended June 30, 2007. The decrease in financial income and the increase in financial expense were mainly due to the loss from marketable securities opposite to a profit in the comparable period last year.

### TAXES ON INCOME

Taxes on income for the six-month period ended June 30, 2008 amounted to NIS 3.8 million (US \$1.1 million) compared to NIS 2.9 million (US \$0.9 million) in the six-month period ended June 30, 2007.

### NET INCOME

Net income for the six-month period ended June 30, 2008 decreased 14% to NIS 8.2 million (US \$2.5 million), or 4.4% of sales, from NIS 9.6 million (US \$2.9 million), or 7.5% of sales, for the six-month period ended June 30, 2007.

### LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2008 cash and cash equivalents decreased from approximately NIS 61.6 million (US \$18.4 million) at December 31, 2007 to approximately NIS 46.7 million (US \$13.9 million) as of June 30, 2008.

For the six-month period ended June 30, 2008, the Company generated a positive cash flow from operating activities of approximately NIS 5.4 million (US \$1.6 million) compared to NIS 4.1 million (US \$1.2 million) in the six-month period ended June 30, 2007. This increase was mainly due to increase in depreciation and amortization of approximately NIS 2.3 million (US \$0.7 million) (compared to NIS 0.8 million (US \$0.2 million) in the six-month period ended June 30, 2007) and to unrealized loss on marketable securities of NIS 0.3 million (US \$0.1 million) (compared to unrealized gain on marketable securities of NIS 0.8 million (US \$0.2 million)).

During the six-month period ended June 30, 2008, the Company utilized a cash flow of NIS 19.6 million (US \$5.8 million) from investing activities (compared to NIS 42.2 million (US \$12.6 million) in the six-month period ended June 30, 2007). This decrease was mainly from the purchase of marketable securities, net of NIS 1.5 million (US \$0.4 million) (compared to NIS 17.8 million (US \$5.3 million) in the six-month period ended June 30, 2007) and due to a lower investment in fixed assets in the amount of NIS 1.7 million (US \$0.5 million) (compared to NIS 9.1 million (US \$2.7 million) in the six-month period ended June 30, 2007).

During the six-month period ended June 30, 2008, the Company utilized a cash flow of NIS 0.5 million (US \$0.1 million) from financing activities mainly due to short term bank borrowing of NIS 2.0 million (US \$0.6 million) (compared to NIS 6.4 million (US \$1.9 million) generated in the six-month period ended June 30, 2007).

### THREE MONTHS ENDED JUNE 30, 2008

#### SALES

Revenues for the three-month period ended June 30, 2008 increased 41.7% to NIS 79.0 million (US \$23.6 million) compared to revenues of NIS 55.8 million (US \$16.6 million) in the three-month period ended June 30, 2007. The increase in revenues was driven by the Company's organic growth in the home market and its expansion of new business units.

#### GROSS PROFIT

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Gross profit for the three-month period ended June 30, 2008 increased 27.3% to NIS 16.8 million (US \$5.0 million), or 21.2% of sales, compared to gross profit of NIS 13.2 million (US \$3.9 million) for the three-month period ended June 30, 2007, or 23.6% of sales. The global increase in the prices of raw food materials overall, and in particular goods related to milk and dairy products, had a negative impact on gross profit for the period.

### SELLING AND MARKETING EXPENSES

Sales and marketing expenses for the three-month period ended June 30, 2008 increased 33.7% to NIS 8.4 million (US \$2.5 million) compared to NIS 6.3 million (US \$1.9 million) in the three-month period ended June 30, 2007. The increase is mainly due to the consolidation of our new business units.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three-month period ended June 30, 2008 amounted to NIS 7.8 million (US \$2.3 million) compared to NIS 4.1 million (US \$1.2 million) in the three-month period ended June 30, 2007. The increase was mainly due to the consolidation of our new business units and due to the transitional activities related to the closing down of WF Laish in the amount of approximately NIS 2.6 million (US \$0.8 million).

### OTHER EXPENSE

Other expense for the three -month period ended June 30, 2008 was due to a final arbitration award entered against the Company for damages in the amount of NIS 2.0 million (\$0.6 million).

### OPERATING INCOME (LOSS)

Operating loss for the three-month period ended June 30, 2008 amounted NIS 1.4 million (US \$0.4 million) compared to operating income of NIS 2.8 million (US \$0.8 million) reported in the three-month period ended June 30, 2007.

### FINANCIAL INCOME (EXPENSE)

Financial income for the rhree-month period ended June 30, 2008 decreased 30.8% to NIS 1.2 million (US \$0.4 million) compared to NIS 1.7 million (US \$0.5 million) in the three-month period ended June 30, 2007. Financial expense for the three-month period ended June 30, 2008 decreased 18.1% to NIS 0.9 million (US \$0.3 million) compared to NIS 1.1million (US \$0.3 million) in the three-month period ended June 30, 2007.

### TAXES ON INCOME

Taxes on income for the three-month period ended June 30, 2008 amounted to NIS 0.3 million (US \$0.1 million) compared to NIS 0.2 million (US \$0.1 million) in the three-month period ended June 30, 2007.

### NET INCOME (LOSS)

Net loss for the three-month period ended June 30, 2008 amounted to NIS 1.4 million (US \$0.4 million), compared to Net income of NIS 3.2 million (US \$1.0 million) for the three-month period ended June 30, 2007.

### LIQUIDITY AND CAPITAL RESOURCES

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For the three-month period ended June 30, 2008, the Company generated a positive cash flow from operating activities of approximately NIS 25.1 million (US \$7.5 million) compared to NIS 20.4 million (US \$6.1 million) in the three-month period ended June 30, 2007. The increase was mainly due to an increase in inventory of approximately NIS 18.1 million (US \$5.4 million) (compared to NIS 8.4 million (US \$2.5 million) in the three-month period ended June 30, 2007), and by a increase in trade accounts receivables of approximately NIS 22.0 million (US \$6.6 million) (compared to approximately NIS 5.2 million (US \$1.5 million) in the three-month period ended June 30, 2007), offset by a decrease in trade accounts payables of approximately NIS 10.8 million (US \$3.2 million) (compared to approximately NIS 1.4 million (US \$0.4 million) in the three-month period ended June 30, 2007).

During the three-month period ended June 30, 2008, the Company utilized a cash flow of NIS 3.5 million (US \$1.0 million) from investing activities (compared to NIS 18.3 million (US \$5.5 million) in the three-month period ended June 30, 2007), mainly from the purchase of marketable securities, net of NIS 1.8 million (US \$0.5 million) (compared to NIS 15.7 million (US \$4.7 million) in the three-month period ended June 30, 2007), and by lower investment in fixed assets from NIS 1.8 million (US \$0.5 million) in the three-month period ended June 30, 2007 to NIS 0.7 million (US \$0.2 million) in the three-month period ended June 30, 2008.