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G WILLI FOOD INTERNATIONAL LTD

Form 6-K

September 30, 2009

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 30, 2009

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

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

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, 2009, prepared in accordance with International Financial Reporting Standards ("IFRS") (these financial statements are in addition to the second quarter 2009 results that were contained in a press release dated August 27, 2009 and filed under Form 6-K that day):

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- a. Condensed Consolidated Balance Sheets as of June 30, 2009 (unaudited) and December 31, 2008.
- b. Condensed Consolidated Statements of Operations for the six and three month periods ended June 30, 2009 and June 30, 2008 (unaudited).
- c. Statements of Shareholders' Equity for the period ended June 30, 2009 (unaudited).
- d. Condensed Consolidated Statements of Cash Flows for the six and three month periods ended June 30, 2009 and June 30, 2008 (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 Statements on Form F-3 (File No. 333-11848 and 333-138200) of the Company.

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 30, 2009

ITEM 1

G. WILLI-FOOD INTERNATIONAL LTD. INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- | | | |
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| 1. | Condensed Consolidated Balance Sheets as of June 30, 2009 (unaudited) and December 31, 2008. | F-2 |
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G. WILLI-FOOD INTERNATIONAL LTD. CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30, ----- 2 0 0 9 -----	DECEMBER 31, ----- 2 0 0 8 -----	JUNE ----- 2 0 0 -----
	NIS		
	(IN THOUSANDS)		

ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	95,250	78,749	24,
Financial assets carried at fair value through profit or loss	12,150	9,367	3,
Trade receivables	82,383	79,599	21,
Other receivables and prepaid expenses	4,230	3,987	1,
Current tax assets	351	2,456	
Inventories	20,513	34,417	5,
	-----	-----	-----
TOTAL CURRENT ASSETS	214,877	208,575	54,
	-----	-----	-----
FIXED ASSETS			
Cost	56,056	55,574	14,
Less: accumulated depreciation and amortization	15,069	13,467	3,
	-----	-----	-----
	40,987	42,107	10,
	-----	-----	-----
Prepaid expenses	12,975	12,539	3,
Goodwill	3,829	3,829	
Intangible assets	4,961	5,181	1,
Deferred taxes	454	1,111	
	-----	-----	-----
TOTAL NON-CURRENT ASSETS	63,206	64,767	16,
	=====	=====	=====
	278,083	273,342	70,
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term bank credit	16,498	17,562	4,
Trade payables	46,568	53,728	11,
Accruals	5,328	6,197	1,
Current tax liabilities	2,054	1,050	
Other payables and accrued expenses	6,607	4,971	1,
Employees Benefits	2,384	2,544	

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TOTAL CURRENT LIABILITIES	79,439	86,052	20,
	-----	-----	-----
NON-CURRENT LIABILITIES			
Long-term bank loans	144	267	
Deferred taxes	259	442	
Warrants to issue shares	-	5	
Employees Benefits	1,005	994	
	-----	-----	-----
TOTAL LONG TERM LIABILITIES	1,408	1,708	
	-----	-----	-----
SHAREHOLDERS' EQUITY			
Share capital NIS 0.10 par value (authorized - 50,000,000 shares, issued and outstanding - 10,267,893 shares	1,113	1,113	
Premium	59,056	59,056	15,
Capital fund	247	247	
Foreign currency translation reserve	324	369	
Retained earnings	122,942	111,447	31,
Noncontrolling interest	13,554	13,350	3,
	-----	-----	-----
	197,236	185,582	50,
	=====	=====	=====
	278,083	273,342	70,
	=====	=====	=====

(*) 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 9	2 0 0 8	2 0 0 9	2 0 0 8
	-----	-----	-----	-----
	NIS			

	I N T H O U S A N D S (EXCEPT PER SHARE AND SH			

Sales	179,328	185,481	83,758	79,036
Cost of sales	139,674	138,659	65,893	62,271
	-----	-----	-----	-----
GROSS PROFIT	39,654	46,822	17,865	16,765
	-----	-----	-----	-----
Selling expenses	15,427	17,538	7,462	8,436
General and administrative expenses	10,887	13,901	5,463	7,752
Other (income) expense	(1,333)	1,981	(1,238)	1,981
	-----	-----	-----	-----

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Total operating expenses	24,981	33,420	11,687	18,169	
	-----	-----	-----	-----	---
OPERATING INCOME (EXPENSE)	14,673	13,402	6,178	(1,404)	
Financial income	935	(1,514)	263	(771)	
Financial expense	646	(75)	(69)	(1,042)	
	-----	-----	-----	-----	---
Income (expense) before taxes on income	14,962	11,963	6,510	(1,133)	
Taxes on income	2,883	3,750	1,189	312	
	-----	-----	-----	-----	---
INCOME (LOSS) AFTER TAXES ON INCOME	12,079	8,213	5,321	(1,445)	
	=====	=====	=====	=====	==
RELATED TO:					
Company Shareholders'	11,495	6,609	5,319	(1,986)	
Minority interest	584	1,604	2	541	
	-----	-----	-----	-----	---
NET INCOME (LOSS)	12,079	8,213	5,321	(1,445)	
	=====	=====	=====	=====	==
Earnings per share data:					
Earnings per share:					
Basic	1.12	0.64	0.52	(0.19)	
	=====	=====	=====	=====	==
Diluted	1.12	0.64	0.52	(0.19)	
	=====	=====	=====	=====	==
Shares used in computing basic and diluted earnings per ordinary share:	10,267,893	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	SHARE PREMIUM	CAPITAL FUND	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	RETAINED EARNINGS	G A
	-----	-----	-----	-----	-----	---
				NIS		
				(IN THOUSANDS)		
	-----	-----	-----	-----	-----	---
BALANCE - JANUARY 1, 2008	1,113	59,056	-	(414)	112,233	1

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Currency translation differences	-	-	-	783	-
Noncontrolling interests in newly acquired subsidiary	-	-	-	-	-
Purchase of noncontrolling interest	-	-	247	-	-
Dividend paid to noncontrolling interests	-	-	-	-	-
Net income for the period	-	-	-	-	(786)
	-----	-----	-----	-----	-----
BALANCE - DECEMBER 31, 2008	1,113	59,056	247	369	111,447
	=====	=====	=====	=====	=====
Currency translation differences	-	-	-	(45)	-
Dividend paid to noncontrolling interests	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-
Net income for the period	-	-	-	-	11,495
	-----	-----	-----	-----	-----
BALANCE - JUNE 30, 2009	1,113	59,056	247	324	122,942
	=====	=====	=====	=====	=====

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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 9	2 0 0 8	2 0 0 9	2 0 0 8
	-----	-----	-----	-----
	NIS			
	(IN THOUSANDS)			
	-----	-----	-----	-----
CASH FLOWS - OPERATING ACTIVITIES				
Profit for the period	12,079	8,213	5,321	(1,445)
ADJUSTMENTS TO RECONCILE NET INCOME TO				
NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and amortization	2,332	2,266	1,166	1,173
Deferred expenses	462	166	287	82
Deferred income taxes	474	496	(300)	334
Capital Gain on disposal of property				
plant and equipment	(107)	-	(12)	-
Capital Gain on disposal of subsidiary	(1,226)	-	(1,226)	-
Unrealized loss (gain) on marketable				
securities	(1,604)	306	(527)	(204)
Revaluation of loans from banks and others	52	31	(39)	158
Change in value of warrants to issue				
shares	(5)	(939)	-	(626)
Employees benefit, net	11	84	(34)	66
CHANGES IN ASSETS AND LIABILITIES:				
Decrease (Increase) in:				
Trade accounts receivable	(4,122)	(18)	8,222	22,018
Receivables and other current assets	2,786	(368)	(687)	1,219
Inventory	13,521	(3,996)	13,530	16,870

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Increase (Decrease) in:				
Trade accounts payable	(5,857)	(3,647)	2,450	(10,444)
Payables and other current liabilities	1,870	3,815	1,971	(3,653)
	-----	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,666	6,409	30,122	25,548
	-----	-----	-----	-----

(*) 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 9	2 0 0 8	2 0 0 9	2 0 0 8
	-----	-----	-----	-----
	NIS			

	(IN THOUSANDS)			

CASH FLOWS - INVESTING ACTIVITIES				
Proceeds from realization (purchase) of marketable securities, net	(1,179)	(1,452)	617	(1,823)
Purchase of additional shares in subsidiary	-	(9,250)	-	-
Purchase of subsidiaries	-	(7,108)	-	(880)
Disposal of subsidiary	(7)	-	(7)	-
Acquisition of property plant and equipment	(1,223)	(1,714)	(185)	(723)
Additions to intangible assets	(7)	(50)	-	(50)
Additions to prepaid expenses	(997)	(1,001)	(820)	(477)
Long term deposit, net	(3)	(35)	(21)	13
Proceeds from sale of property plant and Equipment	205	-	110	-
	-----	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(3,211)	(20,610)	(306)	(3,940)
	-----	-----	-----	-----
CASH FLOWS - FINANCING ACTIVITIES				
Dividend paid to noncontrolling interests	(101)	-	(101)	-
Short-term bank credit, net	(618)	-	(2,722)	(140)
Repayment of loans	(991)	(2,403)	(435)	(2,041)
Proceeds of loans	615	1,951	185	1,198
	-----	-----	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(1,095)	(452)	(3,073)	(983)
	-----	-----	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	16,360	(14,653)	26,743	20,625

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	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	78,749	61,649	68,563	26,189
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS	140	(284)	(57)	(102)
	=====	=====	=====	=====
CASH AND CASH EQUIVALENTS OF THE END OF THE FINANCIAL PERIOD	95,249	46,712	95,249	46,712
	=====	=====	=====	=====

(*) 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, 2008 included in the Company's Annual Report on Form 20-F.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The unaudited condensed consolidated financial statements of which these notes are a part, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of our management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation of the financial information as of and for the periods presented have been included.

ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these interim financial statements are identical to those applied in the preparation of the latest annual financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATION

Certain amounts in prior years' financial statements have been reclassified in order to conform to 2009 presentation

NOTE 2 - MATERIAL EVENTS

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1. On April 16, 2009 the Company was served with a purported class action lawsuit which had been filed against the Company. The complaint alleges that the Company misled its customers by illegal marking of a product that the Company imports and sells as "suger free", according to The Israeli Consumer Protection Law, 1981.

The group which the lawsuit desires to represent are any Israeli resident who bought this product due to such person's preference for a suger free or a reduced suger product (the "Group"). According to the plaintiff, the Group consists of 2,000 customers. The plaintiff appraises its own damages at NIS 2,000 (approximately USD 510) and the damages of the entire Group to be NIS 4 million (approximately USD 1 million).

On July 13, 2009 the Company filed its statement of response. Given the early stage of these proceedings, the Company is unable at this point to assess the risks involved.

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

NOTE 2 - MATERIAL EVENTS (CONT.)

2. On May 14, 2009 the Company received a notice from the minority shareholders of Shamir Salads (2006) Ltd. ("Shamir Salads" and the "Sellers", respectively), with whom the Company had entered into a January 2, 2008 agreement to purchase approximately 51% of the shares of Shamir Salads (the "Shamir Agreement"), cancelling the Shamir Agreement due to an alleged violation of the Agreement by the Company. In addition, on May 18, 2009, the Sellers notified the Company that the board of directors and the shareholders of Shamir Salads had convened without the Company's board and shareholder representatives and resolved to cancel the Shamir Agreement, change Shamir Salads' board composition and signatory rights, and replace the articles of association of Shamir Salads depriving the Company of its board representation and signatory rights in Shamir Salads.

The Company's position is that the Sellers' actions referred to above are illegal, violate the Shamir Agreement and Shamir Salads' articles of association and were not properly authorized by Shamir Salads. The Company believes that the actions taken by the Sellers are in response to the claim by the Company that the Sellers return a portion of the advance payment made by the Company to the Sellers in connection with the acquisition of shares in Shamir Salads. The Company has claimed that the Sellers made false representations to the Company as to the 2008 financial results of Shamir Salads, inflating the amount of the advance payment made by the Company, and the Sellers have not responded to this claim.

The Company submitted an urgent application to the district court in Tel Aviv requesting, among other things, a declaratory judgement that the Shamir Agreement is in full force and effect and various injunctions against the Sellers.

On May 27, 2009, the district court in Tel Aviv issued a temporary injunction against the Sellers. Pursuant to the injunction issued by the court, the Sellers are prohibited from taking any action not in accordance with the signatory rights in Shamir Salads in effect prior to May 18, 2009, performing any disposition of the shares of Shamir Salads held by the Company, taking any action not in accordance with the articles of

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association of Shamir Salads as in effect prior to May 18, 2009, and/or interfering with the functions of Shamir Salads' board of directors as composed prior to May 18, 2009. In addition, pursuant to the injunction, the Sellers are prohibited from interfering with the functions of the co-CEO of Shamir Salads nominated by the Company and/or from preventing the deputy CFO of Shamir Salads from participating in the discussions to approve the financial statements of Shamir Salads.

On June 17, 2009, the Sellers petitioned the district court in Tel Aviv for temporary relief against the Company and others, a declaratory judgement and other relief in connection with an alleged fundamental breach by the Company of the Shamir Agreement and for the return of the shares in Shamir Salads and the consideration paid therefor. On June 22, 2009, an arbitrator was chosen to address all disputes between the parties. As part of the arbitration proceeding, the Sellers and the Company each submitted a complaint against the other for damages on August 4, 2009. The Company intends to vigorously defend its rights in this matter. The temporary injunction against the Sellers will remain in effect until the arbitration procedures will end.

3. Gold Frost Ltd. ("Gold Frost") signed an agreement to sell Gold Frost's 51% interest in a Danish dairy distributor ("Distributor") to the Distributor and/or to the Distributor other shareholder ("Other Shareholder") for \$400,000. Gold Frost acquired its 51% interest from the Other Shareholder in February 2008. According to the terms of the agreement, an amount equal to the balance of outstanding invoices owed by Gold Frost to the Distributor will be deducted as a downpayment, and the rest will be paid by deduction in the purchase price by a pre-determined amount for each shipment of goods that Gold Frost will purchase from the Distributor or from the Other Shareholder, and the balance of the consideration, if any, will be paid in April 2011.

Gold Frost was granted the exclusive right to distribute all of the products of the Distributor and the Other Shareholder in Israel until April 2012, as long as Gold Frost purchases a minimum quantity of products from the Distributor or from the Other Shareholder at fair market prices and that meet specified quality standards.

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

NOTE 3 - SUBSEQUENT EVENTS

1. Following a tender offer for shares and/or depositary interests of Gold Frost, that the Company commenced on February 5, 2009 (see note 29(1) to the financial statements of the Company for the year ended December 31, 2008) and which had expired, the Company commenced a second tender offer on June 22, 2009 to purchase from the holders of shares and/or depositary interests of Gold Frost all of the issued and outstanding share capital of Gold Frost not already held by the Company (which at the time of the tender offer held approximately 89.99 per cent of the issued and outstanding share capital of Gold Frost) for a price of 7 pence per share or per depositary interest in cash. The tender offer was subject to the condition that the number of shares and depositary interests duly tendered constitute, together with the shares held by the Company at such time, more than 95 per cent of the issued and outstanding share capital of Gold Frost.

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On July 27, 2009 the Company announced that it had successfully completed the tender offer. As of the time of expiration of the tender offer, an aggregate of 2,706,388 Gold Frost shares and depositary interests were duly tendered. Such shares and depositary interests constituted, together with the shares held by the Company, more than 95 per cent of the issued and outstanding share capital of Gold Frost. In accordance with Israeli law, the Company purchased all of the issued and outstanding Gold Frost shares and depositary interests that had not been owned by it at the time of the tender offer (including those not tendered in the tender offer) at the tender offer price and will pay an aggregate amount of approximately (pound)370,430 for all such shares and depositary interests.

2. On September 2, 2009 the Company had signed an agreement ("Agreement") to sell all of its holdings in Y.L.W Baron International Trading Ltd. ("Baron"), kosher food exporters located in Israel, and to assign all of its rights and obligations under the founders agreement from February 2007 to a private company owned by the Baron Family, who hold, as of the date of the Agreement the remaining shares in Baron.

In exchange for the sale of shares and the assignment of rights and obligations, the Baron Family agreed to pay US\$ 937,500, which was paid to the Company on the date of execution of the Agreement.

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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 1,500 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).

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

The Company's operating divisions include Willi-Food in Israel, Gold Frost, a wholly owned subsidiary that is a designer, developer and distributor of branded kosher dairy food products, and Shamir Salads, an Israeli distributor and manufacturer of Mediterranean style salads. As previously reported by the Company on July 27, 2009, the Company now holds 100% of the shares of Gold Frost following completion of its tender offer for Gold Frost shares. In addition, on September 2, 2009 the Company signed an agreement ("Agreement") to sell all of its holdings in Y.L.W Baron International Trading Ltd. ("Baron"), kosher food exporters located in Israel, and to assign all of its rights and obligations under the founders agreement from February 2007 to a private company owned by the Baron family, who held, as of the date of the Agreement the remaining shares in Baron. In June 2009, Gold Frost sold all of its 51% interest in a Danish dairy distributor.

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The financial information below reflects the operations of the Company and its subsidiaries on a consolidated basis. The convenience translation of New Israeli Shekels (NIS) into U.S. dollars was made at the rate of exchange prevailing on June 30, 2009, which was NIS 3.919 per U.S. \$1.00. The translation was made solely for the convenience of the reader.

SIX MONTHS ENDED JUNE 30, 2009

SALES

Revenues for the six-month period ended June 30, 2009 decreased 3.3% to NIS 179.3 million (US \$45.8 million) compared to revenues of NIS 185.5 million (US \$47.3 million) in the six-month period ended June 30, 2008. The decrease in revenues was due to the cessation of the operations of the Company's U.S. subsidiary, WF Kosher Food Distributors Ltd. - Laish Israeli ("WF Laish"), during July 2008, as reported by the Company on July 14, 2008 offset by an increase in revenues due to expanded product lines that the Company launched and due to increased sales of existing products to new and existing customers.

GROSS PROFIT

Gross profit for the six-month period ended June 30, 2009 decreased 15.3% to NIS 39.7 million (US \$10.1 million), or 22.1% of sales, compared to gross profit of NIS 46.8 million (US \$11.9 million) for the six-month period ended June 30, 2008, or 25.2% of sales. The decrease in Gross Profit as a percentage of sales was mainly due to the results for the first quarter of 2009 that were affected by the sharp decrease in global purchase prices of food products during the fourth quarter of 2008, resulting in the sharp decrease in the sale prices of the Company's products. Because the Company's commitments to purchase food products from its vendors were based on higher prices, the immediate consequence was a decline in the gross margin in the fourth quarter of 2008 and further decline in the first quarter of 2009. During the first quarter, the Company completed the sale of the inventory that it had acquired from vendors at the higher prices. The decrease in gross margin in the first quarter of 2009 compared to the gross margin in the first quarter of 2008 was also affected by the strengthening of the U.S. dollar versus the NIS (a depreciation of more than 10% of the value of the NIS during the first quarter of 2009) and the general effects of the global economic recession.

SELLING AND MARKETING EXPENSES

Sales and marketing expenses for the six-month period ended June 30, 2009 decreased 12.0% to NIS 15.4 million (US \$3.9 million) compared to NIS 17.5 million (US \$4.5 million) in the six-month period ended June 30, 2008. The decrease was mainly due to the cessation of the operations of the Company's U.S. subsidiary, WF Laish, during July 2008, and due to the actions taken by the Company's management during the first quarter of 2009 to reduce the Company's expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six-month period ended June 30, 2009 decreased 21.7% to NIS 10.9 million (US \$2.8 million) compared to NIS 13.9 million (US \$3.5 million) in the six-month period ended June 30, 2008. The decrease was mainly due to the actions taken by the Company's management during the first quarter of 2009 to reduce the Company's expenses and due to the transitional activities related to the closing down of WF Laish, in the amount of approximately NIS 2.6 million (US \$0.7 million) in the six-month period ended June 30, 2008.

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OTHER EXPENSE (INCOME)

Other income for the six-month period ended June 30, 2009 was mainly due to a capital gain on disposal of subsidiary in the amount of NIS 1.2 million (US \$0.3 million). 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 (\$0.5 million) in connection with a dispute with Vitarroz.

OPERATING INCOME

Operating income for the six-month period ended June 30, 2009 increased 9.5% to NIS 14.7 million (US \$3.7 million) from NIS 13.4 million (US \$3.4 million) reported in the six-month period ended June 30, 2008.

FINANCIAL INCOME (EXPENSE), NET

Financial income, net, for the six-month period ended June 30, 2009 was NIS 0.3 million (US \$0.07 million) compared to financial expense, net, of NIS 1.4 million (US \$0.4 million) in the six-month period ended June 30, 2008. Financial income, net for the six-month period ended June 30, 2009 included mainly unrealized gain on marketable securities in the amount of NIS 1.6 million (US \$0.4 million) and income from short-term bank deposits in the amount of NIS 0.3 million (US \$0.08 million), which was offset by foreign currency differences in the amount of NIS 1.0 million (US \$0.3 million) and interest expense in the amount of NIS 0.5 million (US \$0.13 million). Financial expense, net, for the six-month period ended June 30, 2008 included mainly foreign currency differences in the amount of NIS 2.1 million (US \$0.5 million), bank fees in the amount of NIS 0.8 million (US \$0.2 million) and unrealized loss on marketable securities in the amount of NIS 0.3 million (US \$0.08 million) offset by decrease in values of warrants to issue shares in the amount of NIS 0.9 million (US \$0.2 million) and income from Short-term bank deposits in the amount of NIS 0.6 million (US \$0.2 million).

TAXES ON INCOME

Taxes on income for the six-month period ended June 30, 2009 amounted to NIS 2.9 million (US \$0.7 million) compared to NIS 3.8 million (US \$1.0 million) in the six-month period ended June 30, 2008.

NET INCOME

Net income for the six-month period ended June 30, 2009 increased 47.1% to NIS 12.1 million (US \$3.1 million), or 6.7% of sales, from NIS 8.2 million (US \$2.1 million), or 4.4% of sales, for the six-month period ended June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2009 cash and cash equivalents increased from approximately NIS 78.7 million (US \$20.1 million) at December 31, 2008 to approximately NIS 95.3 million (US \$24.3 million) as of June 30, 2009.

For the six-month period ended June 30, 2009, the Company generated a positive cash flow from operating activities of approximately NIS 20.7 million (US \$5.3 million) compared to NIS 6.4 million (US \$1.6 million) in the six-month period ended June 30, 2008. This increase was mainly due to a decrease in inventory of approximately NIS 13.5 million (US \$3.5 million) (compared to increase in inventory of NIS 4.0 million (US \$1.0 million) in the six-month period ended June 30, 2008) and was offset by an increase in trade accounts receivable of approximately NIS 4.1 million (US \$1.1 million) (compared to increase in trade accounts receivable of NIS 18.0 thousand (US \$6.0 thousand) in the six-month period ended June 30, 2008).

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During the six-month period ended June 30, 2009, the Company utilized a cash flow of NIS 3.2 million (US \$0.8 million) from investing activities (compared to NIS 20.6 million (US \$5.3 million) in the six-month period ended June 30, 2008). This decrease was mainly due to the purchase of subsidiaries and of additional shares in Gold Frost in the total amount of NIS 16.4 million (USD 4.2 million) in the six-month period ended June 30, 2008.

During the six-month period ended June 30, 2009, the Company utilized a cash flow of NIS 1.1 million (US \$0.3 million) from financing activities mainly due to repayment of loans of NIS 1.0 million (US \$0.3 million), (compared to NIS 2.4 million (US \$0.6 million) in the six-month period ended June 30, 2008) and due to short-term bank credit, net of NIS 0.6 million (US \$0.2 million).

THREE MONTHS ENDED JUNE 30, 2009

SALES

Revenues for the three-month period ended June 30, 2009 increased 6.0% to NIS 83.8 million (US \$21.4 million) compared to revenues of NIS 79.0 million (US \$20.2 million) in the three-month period ended June 30, 2008. The increase in revenues was mainly due to expanded product lines that the Company had launched and due to increased sales of existing products to new and existing customers.

GROSS PROFIT

Gross profit for the three-month period ended June 30, 2009 increased 6.6% to NIS 17.9 million (US \$4.6 million), or 21.3% of sales, compared to gross profit of NIS 16.8 million (US \$4.3 million) for the three-month period ended June 30, 2008, or 21.2% of sales.

SELLING AND MARKETING EXPENSES

Sales and marketing expenses for the three-month period ended June 30, 2009 decreased 11.5% to NIS 7.5 million (US \$1.9 million) compared to NIS 8.4 million (US \$2.2 million) in the three-month period ended June 30, 2008. Part of this decrease was attributed to the actions taken by the Company's management during the first quarter of 2009 to reduce the Company's expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three-month period ended June 30, 2009 amounted to NIS 5.5 million (US \$1.4 million) compared to NIS 7.8 million (US \$2.0 million) in the three-month period ended June 30, 2008. Part of this decrease was attributed to the actions taken by the Company's management during the first quarter of 2009 to reduce the Company's expenses.

OTHER EXPENSE (INCOME)

Other income for the three-month period ended June 30, 2009 was mainly due to a capital gain on disposal of subsidiary in the amount of NIS 1.2 million (US \$0.3 million). 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 (\$0.5 million).

OPERATING INCOME (EXPENSE)

Operating income for the three-month period ended June 30, 2009 amounted NIS 6.2

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million (US \$1.6 million) compared to operating expense of NIS 1.4 million (US \$0.4 million) reported in the three-month period ended June 30, 2008.

FINANCIAL INCOME (EXPENSE), NET

Financial income, net, for the three-month period ended June 30, 2009 was NIS 332.0 thousand (US \$84.7 thousand) compared to financial income, net, of NIS 271.0 thousand (US \$69.2 thousand) in the three-month period ended June 30, 2008. Financial income, net, for the three-month period ended June 30, 2009 included mainly unrealized gain on marketable securities in the amount of NIS 527.0 thousand (US \$134.0 thousand), which was offset by interest expense in the amount of NIS 223.0 thousand (US \$57.0 thousand). Financial income, net, for the three-month period ended June 30, 2008 included mainly realized gain on derivatives of NIS 1.1 million (US \$0.3 million) and decrease in values of warrants to issue shares in the amount of NIS 0.6 million (US \$0.2 million), offset by foreign currency differences in the amount of NIS 1.6 million (US \$0.4 million).

TAXES ON INCOME

Taxes on income for the three-month period ended June 30, 2009 amounted to NIS 1.2 million (US \$0.3 million) compared to NIS 0.3 million (US \$0.1 million) in the three-month period ended June 30, 2008.

NET INCOME (LOSS)

Net income for the three-month period ended June 30, 2009 amounted to NIS 5.3 million (US \$1.4 million), compared to net loss of NIS 1.4 million (US \$0.4 million) for the three-month period ended June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

For the three-month period ended June 30, 2009, the Company generated a positive cash flow from operating activities of approximately NIS 30.1 million (US \$7.7 million) compared to NIS 25.5 million (US \$6.5 million) in the three-month period ended June 30, 2008. The increase was mainly due to an increase in trade accounts payables of approximately NIS 2.5 million (US \$0.6 million) (compared to a decrease of NIS 10.4 million (US \$2.7 million) in the three-month period ended June 30, 2008), and by an increase in payables and other current liabilities of approximately NIS 2.0 million (US \$0.5 million) (compared to decrease of approximately NIS 3.7 million (US \$0.9 million) in the three-month period ended June 30, 2008), offset by an increase in trade accounts receivable of approximately NIS 8.2 million (US \$2.1 million) (compared to approximately NIS 22.0 million (US \$5.6 million) in the three-month period ended June 30, 2008).

During the three-month period ended June 30, 2009, the Company utilized cash flow of NIS 0.3 million (US \$0.1 million) from investing activities (compared to NIS 3.9 million (US \$1.0 million) in the three-month period ended June 30, 2008), mainly from the realization of marketable securities, net of NIS 0.6 million (US \$0.2 million) (compared to purchase of marketable securities, net of NIS 1.8 million (US \$0.5 million) in the three-month period ended June 30, 2008).

During the three-month period ended June 30, 2009, the Company utilized cash flow of NIS 3.1 million (US \$0.8 million) from financing activities (compared to NIS 1.0 million (US \$0.3 million) in the three-month period ended June 30, 2008) mainly due to short-term bank credit, net of NIS 2.7 million (US \$0.7 million)

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(compared to NIS 0.1 million (US \$0.04 million) in the three-month period ended June 30, 2008).