

B.S.D CROWN LTD.

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2015

UNAUDITED

IN U.S. DOLLARS

B.S.D CROWN LTD.

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**Report on Review of Interim Condensed Consolidated Financial Statements
To the Shareholder and Board of Directors of
B.S.D CROWN LTD.**

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of **B.S.D CROWN LTD.** and its subsidiaries ("the Group") as of 30 September 2015 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine and three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of those interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

The Group's financial statements as of 30 September 2014 and for the nine and three months then ended reviewed by another auditor who expressed an unqualified opinion on those statements on November 27, 2014.

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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tohmatsu Limited

Tel-Aviv 30 November, 2015

Tel Aviv - Main Office

1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593
Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | Fax: +972 (3) 609 4022 | info@deloitte.co.il

Jerusalem

3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 9777603
Delivery Box 45396
Jerusalem 9145101

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa

5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Beer Sheva

12 Alumot
Omer Industrial Park
P.O.B. 1369
Omer, 8496500

Tel: +972 (8) 690 9500
Fax: +972 (8) 690 9600
info-beersheva@deloitte.co.il

Eilat

The City Center
P.O.B 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

**Trigger Foresight
A Deloitte Israel
Company**

3 Azrieli Center
Tel Aviv, 6701101

Tel: +972 (3) 607 0500
Fax: +972 (3) 607 0501
info@deloitte.co.il

Deloitte Analytics

7 Hasivim
P.O.B. 7796
Petah Tikva, 4959368

Tel: +972 (77) 8322221
Fax: +972 (3) 9190372
info@deloitte.co.il

Seker - Deloitte

7 Giborey Israel St.
P.O.B 8458
Netanya 4250407

Tel: +972 (9) 892 2444
Fax: +972 (9) 892 2440
info-seker@deloitte.co.il

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

	30 September	31 December
	2015	2014
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	27,354	24,897
Short-term deposits	51,280	47,191
Deposits held in trust	3,344	-
Financial assets at fair value through profit or loss	36,156	61,998
Trade receivables	20,825	25,340
Other receivables and prepaid expenses	2,676	2,306
Investment in a fund designated at fair value through profit or loss	2,820	4,103
Inventories	10,743	12,062
	155,198	177,897
Total current assets	155,198	177,897
NON-CURRENT ASSETS:		
Property, plant and equipment, net	13,390	14,342
Intangible assets:		
Customer relationships	4,790	5,870
Supplier relationships	2,424	3,357
Brands	1,242	1,585
Non-competition agreements	1,188	1,287
Goodwill	-	23,740
	23,034	50,181
Total non-current assets	23,034	50,181
Total assets	178,232	228,078

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

	<u>30 September</u>	<u>31 December</u>	
	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term debt	148	130	-
Current maturities of debentures	3,349	3,469	3,472
Trade payables	4,993	5,174	4,191
Other accounts payable and deferred revenues	3,528	5,039	4,006
Employee benefit liabilities, net	748	759	789
Financial liability for non – controlling interest put option	589	6,740	7,217
Total current liabilities	<u>13,355</u>	<u>21,311</u>	<u>19,675</u>
NON-CURRENT LIABILITIES:			
Financial liability for controlling interest put option	413	-	-
Debentures	-	3,695	-
Employee benefit liabilities, net	178	173	199
Liability for non- competition payments	1,422	1,478	1,425
Deferred taxes	2,647	4,179	3,242
Total non-current liabilities	<u>4,660</u>	<u>9,525</u>	<u>4,866</u>
EQUITY:			
Share capital	416	416	416
Share premium	469,932	469,932	469,935
Treasury shares	(76,962)	(76,962)	(76,962)
Reserve from transactions with non- controlling interests	(1,143)	(544)	(998)
Foreign currency translation reserve	(9,594)	(5,784)	(9,936)
Accumulated deficit	(282,917)	(259,646)	(259,700)
Equity attributable to Company's equity holders	99,735	127,412	122,755
Non- controlling interests	60,482	69,830	64,398
Total equity	<u>160,217</u>	<u>197,242</u>	<u>187,153</u>
Total liabilities and equity	<u>178,232</u>	<u>228,078</u>	<u>211,694</u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.
30 November, 2015

Date of approval of the financial statements	Gregory Gurtovoy Chairman of the Board	Israel Yossef Schneorson Joint CEO and Vice Chairman of the Board	Emil Budilovsky Joint CEO, CFO, Director and Company Secretary
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B.S.D CROWN LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	<u>Nine months ended</u> <u>30 September</u>		<u>Three months ended</u> <u>30 September</u>		<u>Year ended</u> <u>31 December</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>U.S. dollars in thousands</u>				
	<u>Unaudited</u>		<u>Unaudited</u>		<u>Audited</u>
Revenues	61,252	38,604	20,151	22,597	58,505
Cost of sales	(47,290)	(29,069)	(14,883)	(17,102)	(44,310)
Gross profit	<u>13,962</u>	<u>9,535</u>	<u>5,268</u>	<u>5,495</u>	<u>14,195</u>
Research and development	953	1,001	387	308	1,263
Selling expenses	7,683	5,320	2,290	3,081	8,001
General and administrative expenses	7,519	10,845	2,850	6,131	13,000
Other (income) loss	21,667	-	44	-	(1,975)
Total operating expenses	<u>37,822</u>	<u>17,166</u>	<u>5,571</u>	<u>9,520</u>	<u>20,289</u>
Operating loss	(23,860)	(7,631)	(303)	(4,025)	(6,094)
Financial income	2,466	3,912	1,732	1,728	4,680
Financial expense	(514)	(194)	(69)	(129)	(3,220)
Loss before taxes on income	(21,908)	(3,913)	1,360	(2,426)	(4,634)
Taxes on income	(623)	(625)	(744)	(450)	(429)
Profit (loss) for the period	<u>(22,531)</u>	<u>(4,538)</u>	<u>616</u>	<u>(2,876)</u>	<u>(5,063)</u>
<u>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods :</u>					
Gain (loss) from available-for-sale financial assets	-	25	-	-	25
Reclassification adjustment for gain on available-for-sale financial assets included in profit or loss	-	(148)	-	-	(148)
Adjustments arising from translation of financial statements of foreign operations	(83)	(10,566)	(4,681)	(11,491)	(18,351)
<u>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods :</u>					
Measurement loss from defined benefit plans	8	46	-	46	10
Total other comprehensive income (loss)	<u>(75)</u>	<u>(10,643)</u>	<u>(4,681)</u>	<u>(11,445)</u>	<u>(18,464)</u>
Total comprehensive income (loss)	<u>(22,606)</u>	<u>(15,181)</u>	<u>(4,065)</u>	<u>(14,321)</u>	<u>(23,527)</u>
Loss attributable to:					
Equity holders of the Company	(23,217)	(5,475)	(339)	(3,587)	(5,515)
Non- controlling interests	686	937	955	711	452
Loss for the period	<u>(22,531)</u>	<u>(4,538)</u>	<u>616</u>	<u>(2,876)</u>	<u>(5,063)</u>
Total comprehensive income (loss) attributable to:					
Equity holders of the Company	(22,875)	(11,364)	(2,541)	(9,811)	(15,570)
Non- controlling interests	269	(3,817)	(1,524)	(4,510)	(7,957)
Total comprehensive income (loss)	<u>(22,606)</u>	<u>(15,181)</u>	<u>(4,065)</u>	<u>(14,321)</u>	<u>(23,527)</u>

Basic and diluted net earnings per share attributable to Company's equity holders (in U.S dollars):

Net loss per share	<u>(0.21)</u>	<u>(0.05)</u>	<u>-</u>	<u>(0.03)</u>	<u>(0.05)</u>
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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 interest	Foreign currency translations reserve	Accumulated deficit	Total	Non- controlling interests	Total equity
U.S. dollars in thousands									
Unaudited									
Balance as of 1 January 2015	416	469,935	(76,962)	(998)	(9,936)	(259,700)	122,755	64,398	187,153
Loss for the period	-	-	-	-	-	(23,217)	(23,217)	686	(22,531)
Other comprehensive income (loss):									
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	342	-	342	(425)	(83)
Remeasurement loss from defined benefit plans	-	-	-	-	-	-	-	8	8
Total comprehensive loss	-	-	-	-	342	(23,217)	(22,875)	269	(22,606)
Transaction with non-controlling interest purchase share of subsidiary	-	-	-	114	-	-	114	(2,409)	(2,295)
Subsidiary's dividends declaration and payment to non-controlling interests	-	-	-	-	-	-	-	(2,035)	(2,035)
Transaction with non-controlling interest purchase share of subsidiary by company	-	-	-	1,011	-	-	1,011	(1,011)	-
Additional non-controlling interest relating to outstanding share-based payment transaction of subsidiary	-	-	-	(943)	-	-	(943)	943	-
Transactions with non-controlling interests - cost of share based payment in subsidiary	-	-	-	(327)	-	-	(327)	327	-
Balance as of 30 September 2015	<u>416</u>	<u>469,935</u>	<u>(76,962)</u>	<u>(1,143)</u>	<u>(9,594)</u>	<u>(282,917)</u>	<u>99,735</u>	<u>60,482</u>	<u>160,217</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	Available-for-sale reserve	Reserve from transactions with non-controlling interest	Foreign currency translations reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
U.S. dollars in thousands										
Unaudited										
Balance as of 1 January 2014 (audited)	416	469,925	(76,962)	123	-	-	(254,189)	139,313	(413)	138,900
Net income (loss)							(5,475)	(5,475)	937	(4,538)
Other comprehensive income (loss):										
Gain from available for sale financial assets	-	-	-	25	-	-	-	25	-	25
Reclassification adjustment for gain on available- for- sale financial assets included in profit or loss	-	-	-	(148)	-	-	-	(148)	-	(148)
Re-measurement of net defined benefit obligation	-	-	-	-	-	-	18	18	28	46
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	(5,784)	-	(5,784)	(4,782)	(10,566)
Total comprehensive income (loss)										
Cost of share based payment	-	7	-	-	-	-	-	7	-	7
Transactions with non-controlling interests - cost of share based payment in subsidiary	-	-	-	-	(544)	-	-	(544)	544	-
Non- controlling interests arising from initially consolidated company	-	-	-	-	-	-	-	-	73,516	73,516
Balance as of 30 September 2014	<u>416</u>	<u>469,932</u>	<u>(76,962)</u>	<u>-</u>	<u>(544)</u>	<u>(5,784)</u>	<u>(259,646)</u>	<u>127,412</u>	<u>69,830</u>	<u>197,242</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	Available for sale reserve	Reserve from transactions with non- controlling interest	Foreign currency translations reserve	Accumulated deficit	Total	Non- controlling interests	Total equity
U.S. dollars in thousands										
Balance as of 1 January 2014	416	469,925	(76,962)	123	-	-	(254,189)	139,313	(413)	138,900
Non- controlling interests arising from initially consolidated company	-	-	-	-	-	-	-	-	73,516	73,516
Net (loss) income	-	-	-	-	-	-	(5,515)	(5,515)	452	(5,063)
Other comprehensive (loss) income:	-	-	-	-	-	-	-	-	-	-
Gain from available for sale financial assets	-	-	-	25	-	-	-	25	-	25
Reclassification adjustment for gain on available- for- sale financial assets included in profit or loss	-	-	-	(148)	-	-	-	(148)	-	(148)
Re-measurement of net defined benefit obligation	-	-	-	-	-	-	4	4	6	10
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	(9,936)	-	(9,936)	(8,415)	(18,351)
Total comprehensive loss	-	-	-	(123)	-	(9,936)	(5,511)	(15,570)	(7,957)	(23,527)
Cost of share based payment	-	10	-	-	-	-	-	10	-	10
Transactions with non-controlling interests - cost of share based payment in subsidiary	-	-	-	-	(857)	-	-	(857)	857	-
Transactions with non-controlling interest purchase of shares in subsidiary	-	-	-	-	(141)	-	-	(141)	(1,605)	(1,746)
Balance as of 31 December 2014	<u>416</u>	<u>469,935</u>	<u>(76,962)</u>	<u>-</u>	<u>(998)</u>	<u>(9,936)</u>	<u>(259,700)</u>	<u>122,755</u>	<u>64,398</u>	<u>187,153</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

	Nine months ended		Year ended
	30 September		31 December
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Loss for the period	(22,531)	(4,538)	(5,063)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities :			
Depreciation and amortisation	1,993	1,302	1,878
Goodwill and other assets amortisation	23,751	-	-
Loss (gain) on disposal of fixed assets	(57)	10	10
Decrease employee benefit liabilities, net	(21)	(77)	(41)
Cost of share-based payment	499	733	1,172
Change in financial assets at fair value through profit or loss	(69)	(425)	2,589
Change in investment fund designated at fair value through profit or loss	(285)	-	319
Interest income	(1,409)	(1,128)	(1,627)
Interest expense on short-term loan	-	7	7
Decrease in deferred tax	(584)	(196)	(706)
Taxes on income	1,152	821	1,135
Exchange rate differences on deposit and short-term loan	(63)	(1,269)	(1,800)
Gain from sale of available for sale financial assets	-	(214)	(214)
Financial expenses (income) from debentures	(93)	75	56
Financial expenses on financial liabilities	60	94	147
	<u>24,874</u>	<u>(267)</u>	<u>2,925</u>
<u>Changes in asset and liability items:</u>			
Decrease in inventories	1,694	2,609	1,552
Decrease in trade receivables	1,370	3,451	5,241
Decrease (increase) in receivables and prepaid expenses	789	(78)	(587)
Increase (decrease) in trade payables, other payables and accrued expenses	519	1,190	(948)
	<u>4,372</u>	<u>7,172</u>	<u>5,258</u>
Cash received (paid) during the period:			
Interest received	1,414	592	700
Interest paid	-	(228)	(275)
Income taxes paid	(1,330)	(1,344)	(1,706)
	<u>84</u>	<u>(980)</u>	<u>(1,281)</u>
Net cash provided by operating activities	<u><u>6,799</u></u>	<u><u>1,387</u></u>	<u><u>1,839</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

Nine months ended	Year ended	
30 September	31 December	
2015	2014	2014
Unaudited	Audited	
U.S. dollars in thousands		

flows from investing activities:

Proceeds from sale of property and equipment	140	65	65
Purchase of property and equipment	(768)	(1,412)	(1,820)
Maturity of (investment in) short-term deposits, net	3,084	(30,949)	(37,954)
Withdrawal of (investment in) deposit held in trust	(3,454)	122,404	122,404
Proceeds from sale of investment in fund designated at fair value through profit or loss	1,027	-	-
Proceeds from sale (purchase) of financial assets at fair value through profit or loss	6,296	(6,268)	7,134
Proceeds from sale of financial assets at fair value through profit or loss and available for sale financial assets	-	297	304
Acquisition of subsidiary	-	(62,088)	(62,088)
	6,325	22,049	28,045

Net cash provided by investing activities from continuing operations

Cash flows from financing activities:

Repurchase of shares from non-controlling interest by subsidiary	(2,295)	-	(1,746)
Bank overdraft, net	151	(695)	(820)
Repurchase of shares from non-controlling interest of subsidiary by company	(713)	-	-
Decrease in financial liability for non-controlling interest put option	(6,052)	-	-
Dividend declared and paid by subsidiary	(2,035)	-	-
Redemption of debentures	-	-	(3,397)
	(10,944)	(695)	(5,963)

Net cash used in financing activities from continuing operations

Exchange differences on balances of cash and cash equivalents	(151)	(801)	(1,553)
	2,029	21,940	22,368

Net increase in cash and cash equivalents	2,029	21,940	22,368
Cash and cash equivalents at the beginning of the period	25,325	2,957	2,957
	27,354	24,897	25,325

Cash and cash equivalents at the end of the period	27,354	24,897	25,325
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a. Non-cash transactions:

Repayment of short-term loan from deposit held in trust	-	(18,727)	(18,727)
Purchase of property, plant and equipment on credit	54	-	160

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. ("**B.S.D**" or the "**Company**") is a corporation registered in Israel. In August 2014 the Company effected a change of its name from Emblaze Ltd. to B.S.D Crown Ltd.
- b. For change of control in the ultimate controlling shareholder of the company see Note 4(h).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed consolidated financial statements for nine and three month periods ended 30 September 2015 have been prepared in accordance with 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 2014.

b. Income tax:

The Group calculates the period's 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 in which 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.

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

a. IFRS 13 Fair Value Measurement:

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). This amendment has no impact on the financial statements.

b. Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. These amendments have no impact on the financial statements.

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.)

- c. An amendment to IAS 24 "Related Party Disclosures" (regarding key management personnel) The amendment clarifies that a management company providing key management personnel services to the reporting entity is a "related party" of the reporting entity. The amendment is applied retrospectively for annual reporting periods beginning on or after July 1, 2014 or thereafter.

NOTE 4 - SUPPLEMENTARY INFORMATION

a. **Loan agreement to controlling shareholder:**

On 24 February, 2015, Israel 18, Israel 180 Ltd. ("**Israel 180**") and Orot Israel 18 Ltd. ("**Orot Israel**") and together, the "**Israel 18 Group**") entered into a loan agreement (the "**Loan Agreement**") for a loan to be provided by Zwi Williger ("**ZW**") and Joseph Williger ("**JW**" and together, the "**Willigers**"), either in their personal capacities or through companies under their control (the "**Lenders**"), pursuant to which Israel 18 was to borrow a sum of NIS 83 million (approximately USD 20.9 million) (the "**Loan Amount**").

The Loan Amount was to be used, among others, for the purposes of exercising the call options in respect of a further 19.09 per cent of the Company's shares (the "**Options**").

Following the failure by the parties to the Loan Agreement to reach completion thereof the Loan Amount was returned to the Willigers on 7 May, 2015.

b. **Put options over Company shares:**

- (1) On 4 March, 2015, ZW, a director of Willi-Food Investments Ltd. ("**WFI**") and the chairman of the board of directors of G. Willi-Food International Ltd. ("**WFINT**") and JW, the president of WFINT and chairman of the board of directors of WFI, each, exercised options over 66,667 shares of WFINT (the "**Williger Shares**"). In consideration for the Williger Shares, each of ZW and JW paid the amount of USD 433 thousand to WFI, reflecting an exercise price of USD 6.5 per each of the Williger Shares.
 - (2) Following ZW's and JW's exercise of the abovementioned Williger Shares, on 24 March 2015, the Company paid an amount of USD 800 thousand to each of ZW and JW and acquired 66,667 shares of WFINT from each of ZW and JW, reflecting an exercise price of USD 12 per share of WFINT.
 - (3) Following a further exercise by ZW of part of his put options in respect of 166,666 shares of WFINT, on 7 May, 2015, the Company paid an aggregate total amount of USD 2 million and acquired an aggregate of 166,666 shares of WFINT.
 - (4) On 26 May and 30 June, 2015 the Company has paid the aggregate amount of USD 1 million and USD 3 million respectively to ZW in consideration for the WFINT Put Option in relation to 337,741 shares in WFINT.
- c. During June 2015, WFI acquired 139,386 ordinary shares of NIS 0.1 per share in the amount of approximately USD 2,295 thousand. As a result of these acquisitions, WFI increased its holdings in WFINT shares to 62.39%.
Following the above-mentioned transactions, the Company now directly holds 4.87% of the shares of WFINT and indirectly holds a further approximately 43.54% of the shares of WFINT through WFI.

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

NOTE 4 - SUPPLEMENTARY INFORMATION (Cont.)

d. Claim against former controlling shareholder:

On 24 February, 2015, Public Joint Stock Company Alfa Bank ("**Alfa**"), a Ukrainian banking entity, submitted a request to the Tel Aviv District Court (the "**Court**") to attach certain assets as well as direct and indirect holdings of the Company's ultimate former controlling shareholder, Oleksandr Granovskyi. This request was submitted as part of a claim filed by Alfa against Mr Granovskyi and others with respect to alleged debts owing by them to Alfa. On 11 April, 2015, Alfa and Mr Granovskyi entered into a settlement agreement, following which the Court cancelled all interim measures previously ordered by it in the course of the relevant proceedings.

- e.** On 1 April 2015 the Company appointed Mr. Oleksandr Granovskyi, as the chairman of the board of directors in replacement of Abraham Wolff who was appointed as a director of the Company and as a the chairman of its board of directors, on 14 August 2013. Mr. Wolff announced on the same day, his resignation as a director of the Company. For details regarding changes in the ultimate controlling shareholder and members of the Company's Board, see Note 4(i).

f. Microsoft settlement

Further to the Company's disclosures with respect to its claim against Microsoft Corporation ("**Microsoft**") with reference to BSD's U.S. patent no. 6,389,473 for media streaming technology (the "**patent**"), the Company executed, on 18 June, 2015 a final settlement with Microsoft on all claims (the "**Agreement**") with full mutual releases and license, covenant not to sue, and waivers. In accordance with the Settlement Agreement, Microsoft paid the Company the agreed amount. The Agreement shall remain in full force and effect until the expiration of the Patent's Term. The net effect of the settlement is presented in the Company's profit or loss statement in "Other income (loss)" item

g. Board Change

On 12 July, 2015, Mrs. Keren Arad-Leibovitz, who was appointed as an external director of the Company on 30 December 2013, resigned from her position on the Board of Directors.

h. Change of Ultimate Control of the Company

The Company has been informed by its ultimate controlling shareholder, Mr Oleksandr Granovskyi, and by Mr.Gregory Gurtovoy, a citizen of Israel residing in Ukraine ("**Mr. Gurtovoy**"), that with effect from 15 July, 2015:

Mr Oleksandr Granovskyi and Stichting Chabad Charity Foundation (both: the "**Sellers**") has sold to Mr. Gurtovoy their entire holdings, in Israel 18 B.V. (herein: "**Israel 18**" and the "**Transaction**", accordingly). Following the Transaction, Mr. Gurtovoy holds 'Preferred Shares' representing 90% of the voting rights in Israel 18, and which give him the right to appoint the directors of Israel 18 and hold also 'Regular Shares' of Israel 18, representing 9.5% of the voting rights and 95% of the issued share capital of Israel 18.

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

NOTE 4 - SUPPLEMENTARY INFORMATION (Cont.)

h. Change of Ultimate Control of the Company (Cont.)

- Israel 18 is the controlling shareholder of BGI Investments (1961) Ltd., which, in turn, beneficially owns Company shares representing approximately 25% of the total issued and outstanding share capital of the Company (excluding dormant shares) and controls in aggregate, directly and through proxies, approximately 44% of the voting rights in the Company.

As part of the sale of the abovementioned shares, to the best knowledge of the Company, Mr Granovsky committed to Mr. Gurtovoy, *inter alia*, as follow:

- That within three (3) calendar months, from the date of the Transaction, he will execute settlement agreements between Israeli 18 and certain of Israel 18's creditors, being each of Fortissimo Capital Management Ltd., Naftali Shani, and 2 other creditors of Israel 18; and
- To replace the Board of directors of, *inter alia*, the Company, in accordance with Mr. Gurtovoy's nominations, subject to applicable law, see Note 4(i).

The Company was not provided with details of the consideration, nor of the timing for payment of the consideration in respect of the abovementioned Transaction, however, the transfer of the shares took effect on 15 July, 2015.

i. Board Change

Pursuant to change of control as described in Note 4(h) above, the Company made nominations to the Board of Directors which took effect on 16 July 2015:

- Mr. Gregory Gurtovoy who was also nominated as the chairman of the Company; and
- Mr. Oleksandr Avdyeyev.

In addition, Mr. Emil Budilovsky who currently serves as an Executive Director and vice-president of business development of the Company was appointed as a Joint CEO alongside with Mr. Schneorson, CFO and Company Secretary.

With effect from the same time, Mr Oleksandr Granovskyi has resigned from the Company's Board of directors.

j. WFI supplementary information

1. During the course of September 2014, WFINT and Goldfrost ("**Goldfrost**"), a wholly owned subsidiary of WFINT, filed a lawsuit under the Property Tax and Compensation Fund Regulations 5774 –2014 in respect of indirect damages incurred by them following Operation "Cast Lead" for the sum of approximately 6 million NIS (approximately USD 1.6 million). On 21 December, 2014, WFINT and the Property Tax and Compensation Fund Director signed a settlement agreement for the sum of NIS 2.8 million (approximately USD 0.7 million) without either party waiving their claims and/or accepting the other side's claims. The amount was received in full during the course of January, 2015.

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

NOTE 4 - SUPPLEMENTARY INFORMATION (Cont.)

j. WFI supplementary information (Cont.)

1. (Cont.)

During the course of January 2015, Goldfrost received the sum of approximately NIS 1.3 million (approximately USD 0.3 million) and in June 2015 an additional sum of NIS 1 million (approximately USD 0.3 million), as an advanced payments. On 20 July, 2015, Goldfrost and the Property Tax and Compensation Fund Director signed a settlement agreement for the sum of approximately NIS 2 million (approximately USD 0.5 million), without either party waiving their claims and/or accepting the other side's claims. As a result of this, during the course of July 2015, Goldfrost reimbursed the Property Tax Administration the excess amount from the advanced payments, in addition to linkage differentials and interest.

2. On 22 June, 2015, the WFI's board of directors approved the distribution of a dividend in the sum of NIS 20 million. The dividend was paid in cash on 12 July, 2015. The Company received on 12 July, 2015 approximately NIS 12.3 million (approximately USD 3.3 million) upon distribution of the dividend by WFI.

3. On 14 July, 2015, the District Court in Lod, Israel (the "Court") approved a petition submitted by Mega Retailers Ltd. on 29 June, 2015, for a creditors arrangement under section 350 to the Israeli Companies Law 5759– 1999, following financial difficulties in which Mega Retailers Ltd. found itself (herein after: "**Mega**", and the "**Arrangement Petition**" - as applicable).

In the framework of the Arrangement Petition, it was that Mega will pay its debts up to its creditors, including WFINT, for the period up to and including 30 June, 2015 – a sum equal to 70% of the balance of its debts to the creditors, spread over 12 weekly payments commencing on 31 July, 2015, and the remaining 30% will be paid commencing on 30 June, 2017 in 36 equal monthly payments (herein after: the "**Deferred debt**").

In accordance with the arrangement, the Deferred Debt will incur annual interest at a rate of 2% until 30 June, 2017 and annual interest at a rate of 3% until final payment of the Deferred Debt. As an additional part of the Arrangement, creditors are given the option to converting the Deferred Debt into shares of Alon Blue Square Israel Ltd, Mega's parent company, according to the terms stipulated in the arrangement. As of the date of this report, Mega's debt to WFINT stands at approximately NIS 4.6 million (approximately USD 1.5 million) which includes the Deferred Debt (including VAT).

As of the date of the signing of this report, the balance of the assets equal to 70% of the balance of Mega's debt to WFINT was received in full.

On July 14, 2015, the District Court in Lod extended the petition for suspension of proceedings submitted by Mega on July 9, 2015 for Eden Briut Teva Market 2 Ltd. ("**Eden**"), a subsidiary of Mega, (the "**Suspension of Proceedings**"). In the framework of the Suspension of Proceedings, the court appointed a trustee for Eden whose role, *inter alia*, is to manage Eden during the period of Suspension of Proceedings as well as to conduct negotiations and an auction for the sale of Eden. Further to the bids published by the trustee, on August 16, 2015, the District Court for the Center District approved the offer by Tiv Taam Holdings 1 Ltd.

("Tiv Taam") for the purchase of Eden's operations and rights in connection with eight of the independent branches which Eden operates under the brand "Eden Teva Market" (the "**Offer**"), whether by Tiv Taam or by a different corporation under its control and subject to fulfillment of the conditions precedent in the Offer.

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

NOTE 4 - SUPPLEMENTARY INFORMATION (Cont.)

j. WFI supplementary information (Cont.)

3. (Cont.)

Eden's debt balance in WFINT's books as of the date of this report and the date of the Suspension of Proceedings stands at approximately NIS 0.6 million (including VAT) (approximately USD 0.2 million).

In light of the uncertainty as to the payment of the Deferred Debt by Mega, and in light of Eden's Suspension of Proceedings in the second quarter of 2015, WFINT allocated the sum of approximately NIS 1.7 million (approximately USD 0.5 million) to doubtful debts. The total impact on net income for the statement period, after taxes and the minority share, amounted to the sum of approximately NIS 0.7 million (approximately USD 0.2 million).

Mega constitutes the second largest marketing chain in Israel, after Shufersal Ltd., and included, as of the date of the Arrangement Petition, approximately 182 branches. WFINT's sales to Mega constituted approximately 5% of WFINT's sales from January-September 2015 and approximately 6% of WFINT's sales for 2014. As of the date of the publication of this statement, WFI is cannot evaluate the impact of the difficulties Mega and Eden encountered and/or the legal proceedings being conducted in connection there with on WFI's business results.

NOTE 5 - 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 liabilities:

	Carrying amount		Fair value		Carrying amount	Fair value
	30 September		30 September		31 December	
	2015	2014	2015	2014	2014	
	Unaudited				Audited	
U.S. dollars in thousands						
Debentures and interest payable	3,358	7,183	3,278	7,070	3,295	3,310

Below are details of the Group's financial assets that are measured in the Company's statement of financial position at fair value by levels:

Financial assets at fair value:

	30 September 2015		
	Unaudited		
	Level 1	Level 2	Total
	U.S. dollars in thousands		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	35,644	512	36,156
Investment in a fund designated at fair value through profit or loss	-	2,820	2,820
	<u>35,644</u>	<u>3,332</u>	<u>38,976</u>

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 5 - FINANCIAL INSTRUMENTS (Cont.)

	30 September 2014		
	Unaudited		
	Level 1	Level 2	Total
	U.S. dollars in thousands		
Financial assets at fair value through profit or loss	60,764	1,234	61,998
Investment in a fund designated at fair value through profit or loss	-	4,103	4,103
	60,764	5,337	66,101
	31 December 2014		
	Audited		
	Level 1	Level 2	Total
	U.S. dollars in thousands		
Financial assets at fair value through profit or loss:			
Financial asset at fair value through profit or loss	41,579	1,145	42,724
Investment in a fund designated at fair value through profit or loss	-	3,582	3,582
	41,579	4,727	46,306

NOTE 6 - 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:

	Nine months ended		Year ended 31
	30 September		December
	Unaudited		Audited
	U.S. dollars in thousands		
	2015	2014	2014
Revenues			
Import marketing and distribution of food products	60,166	38,474	58,210
Other	1,086	130	295
	61,252	38,604	58,505
Segment income (loss)			
Import marketing and distribution of food products (**)	(22,378)	1,152	2,230
Other (*)	(1,482)	(8,783)	(8,324)
Operating loss	(23,860)	(7,631)	(6,094)
Financial income, net	1,952	3,718	1,460
Loss before taxes	(21,908)	(3,913)	(4,634)

(*) Other includes mainly unallocated corporate general and administrative expenses and expenses relating to research and development activities.

(**) Regarding recognition of impairment losses see Note 7.

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 6 - OPERATING SEGMENTS (Cont.)

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

	<u>Nine months ended 30 September</u>				<u>Year ended 31 December</u>	
	<u>2015</u>		<u>2014</u>		<u>2014</u>	
	<u>Unaudited</u>				<u>Audited</u>	
	<u>U.S. dollars in thousands</u>	<u>%</u>	<u>U.S. dollars in thousands</u>	<u>%</u>	<u>U.S. dollars in thousands</u>	<u>%</u>
Customer A	<u>10,655</u>	<u>17.7</u>	<u>6,103</u>	<u>16</u>	<u>9,322</u>	<u>16</u>

The revenues from the following products contributed 10% or more to the Group revenues (as percentage of the total segment revenue):

	<u>Nine months ended 30 September</u>				<u>Year ended 31 December</u>	
	<u>2015</u>		<u>2014</u>		<u>2014</u>	
	<u>Unaudited</u>				<u>Audited</u>	
	<u>U.S. dollars in thousands</u>	<u>%</u>	<u>U.S. dollars in thousands</u>	<u>%</u>	<u>U.S. dollars in thousands</u>	<u>%</u>
Canned vegetables	<u>9,503</u>	<u>16</u>	<u>6,360</u>	<u>16</u>	<u>9,985</u>	<u>17</u>
Dairy and dairy substitute products	<u>22,393</u>	<u>37</u>	<u>9,425</u>	<u>24</u>	<u>15,277</u>	<u>26</u>
Dried fruit, nuts and beans	<u>4,473</u>	<u>(*)</u>	<u>5,267</u>	<u>14</u>	<u>6,248</u>	<u>11</u>

(*) Less than 10%

NOTE 7 - IMPAIRMENT IN WFI GOODWILL AND OTHER ASSETS

On 30 June 2015, the Company examined the recoverable amount of food import marketing and distribution activity ("Food activity") of WFI through its subsidiaries. On 30 June 2015, the recoverable value as of 30 June 2015 was estimated at approximately NIS 191.3 million (approximately USD 50.8 million) as compare to book value as of 30 June 2015 of NIS 280.8 million (approximately USD 74.5 million). As a result, the Company recorded a loss from impairment of value of Food activity in the amount of NIS 89.5 million (approximately USD 23.8 million) which was included in the Profit or Loss statement as Other (income) loss and allocated to the shareholders of the Company and the non-controlling interests in accordance with their respective holdings.

The loss from impairment is attributed, based on the economic valuation performed by an independent appraiser, mainly due to the following reasons:

- a. WFI results fell short of its forecasts due to, among other, deteriorating effects that occurred and grew stronger during the reporting period in the Israeli food industry, as detailed below and are not deemed as one-time events. In addition the Company came to conclusion that the differences between the results and the forecasts are not only a matter of timing differences, as a result of which WFI updated its forecasts.

B.S.D CROWN LTD.

NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 7 - IMPAIRMENT IN WFI GOODWILL AND OTHER ASSETS (Cont.)

- b. Structural and other changes in the Israeli food industry, including (1) debt restructuring settlement of Mega and court ordered Stay of proceedings by Eden all as detailed in Note 4(j) above; (2) deteriorating trade terms between the food suppliers and the Israeli food retailers emphasised by the conflict between Shufersal (the largest Israeli food retailer) and Unilever (one of the leading food suppliers in Israel); (3) development of private label by the Israeli food retailers such as Shufersal, Rami Levi Hasikma, the largest discount chain in Israel and other; (4) growing pressure applied by the Israeli food retailers to increase the discount rates provided by the food suppliers, including WFI.

Cash Generating unit	BV of cash producing unit (*)	Goodwill allocated to the unit	Recognised value impairment	Recoverable value of the unit	The method for measuring recoverable value
U.S. dollars in thousands					
Food import, marketing and distribution activity	<u>74,507</u>	<u>23,274</u>	<u>(23,751)</u>	<u>50,756</u>	D.C.F

(*) As of 30 June 2015

Main assumptions used in measuring the recoverable amount

- The recoverable amount was measured by using the D.C.F method, under which 5 year forecasted cash flows were discounted by applying a discount rate of 10.5%. Cash flows for periods beyond 5 years were calculated by applying a permanent growth factor of 2% per annum, which is similar to the forecasted annual growth of the Food activity.
- Revenues – Revenue growth was based on real historical CAGRs (CPI adjusted) and effected by the difficulties encountered by the Company's two largest customers (Shufersal and Mega). The CAGR used was 3.2%.
- Gross profit margin – the significant investment in a new logistic center should help offset the decline in gross margins. Gross margin was assumed to stabilize at 23.4%.

The allocation of the loss from impairment of recoverable value by asset types of the cash producing unit is as follows:

	Impairment U.S dollar
<u>Intangible assets</u>	
Goodwill	23,274
Customer relationships	101
Supplier relationships	53
Brands	27
Non-competition agreements	24
Property plant and equipment, net	272
Total impairment	<u>23,751</u>

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NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 8 - SUBSEQUENT EVENTS

- a. On 12 November, 2015 the Board of Directors of G. Willi-Food International Ltd (“**WFINT**”) and on 15 November, 2015 the Board of Directors of Willi-food Investments LTD (“**WFI**”), each approved the terms of an agreement (the “**Termination Agreement**”) between WFINT and two companies controlled by Messrs. Zwi Williger (“**ZW**”) (Director of WFI and Co-Chairman and Manager of Business Development in WFINT) and Joseph Williger (“**JW**”) (Co-Chairman of WFI and Director and President in WFINT) that governs the termination of the existing management agreements between ZW and JW, WFINT and its subsidiary. Certain terms of the Termination Agreement are subject to the approval by way of special majority by WFINT shareholders, at which time ZW and JW are to resign as directors and from all other positions within WFI, WFINT and there subsidiaries (henceforth: “**Approval of the General Meeting of WFINT**”).

Under the terms of the Termination Agreement, amongst others things:

- 1) ZW and JW have entered into certain non-compete arrangements for the period of 12 months from the date which is 180 days after the execution of the Termination Agreement (being 12 November 2015) (the “**early notice period**”);
- 2) Subject to the full and timely fulfillment by WFINT of all of its undertakings of the Termination Agreement, ZW and JW fully and irrevocably waive and release WFINT and its shareholders (including its controlling shareholders), subsidiaries, related companies and anyone or entity acting on their behalf from any legal claim and/or legal action and/or demand, whether known or unknown, which they may have either currently or in the future, either directly or indirectly (collectively referred to as: “**Claims**”), against any of ZW and JW, such waiver and release to include any Claim relating to Company's purchase agreement of the controlling stake in WFI dated 2 March, 2014 (the “**WFI Controlling Stake Purchase Agreement**”), all of which are subject to certain limited exceptions enumerated in the Termination Agreement; and
- 3) Subject to the full and timely fulfillment by ZW and JW of all of their undertakings set forth in the Termination Agreement and any applicable law, including the provisions of the Israel Companies Law and Israel Securities Law, WFINT fully and irrevocably waives and releases SW and JW from all Claims, which WFINT may have currently or may have in the future, either directly or by way of WFI and/or any of their subsidiaries, against either of ZW or JW, all of which are subject to exceptions limited set forth in the Termination Agreement.
- 4) The Termination Agreement also provides for certain payments from WFINT to be made to ZW and JW, including the payment of performance bonuses of NIS 2 million and retirement bonuses of NIS 1.67 million to each of ZW and JW which is in addition to the payment of a WFINT's management fee of NIS 1.67 million during the year following the notice period, to each of ZW and JW.

On 11 November, 2015, in connection with the arrangements described above, the Board of the Company approved the Company's entry into of a mutual waiver and release from all Claims with ZW and JW (the “**Company Waiver**”). The Waiver is conditional upon, amongst other things: (i) the approval of the Termination Agreement in general meeting of WFINT shareholders and (ii) the payment of approximately USD 1.6 million (the “**Option Exercise Amount**”) to the extent that ZW and JW exercise the put option granted to them as part of the terms of the WFI Controlling Stake Purchase Agreement.

Furthermore, on 12 November 2015, Mr. Gregory Gurtovoy, the indirect controlling shareholder of the Company, signed a personal undertaking in favour of ZW and JW to guarantee the payment of the Option Exercise Amount by the Company.