WILLI FOOD

Willi-Food Investments Ltd.

Goodwill Impairment Test Prepared for BGI Investment (1961) Ltd. & BSD Crown Ltd.

August 2015

14 Kremnitski St Tel-Aviv 6789912 Israel I Tel: 972-3-5617787 I Fax: 972-3-5617765

Prometheus
Financial Advisory

Disclaimer

- At the request of BGI Investment (1961) Ltd. ("**BGI**") and BSD Crown Ltd. ("**BSD**" and together with BGI the **"Client**") we, Prometheus Financial Advisory Ltd. ("**Prometheus**" and/or the "**Firm**"), have prepared an impairment test of Willi-Food Investments Ltd. (hereunder the "**Company**" and/or "**WFI**") as of June 30, 2015 (hereunder: the "**Report**"). According to the Client, the concerns underlying the reason to conduct an impairment test are as follows:
- The report is designated to Mr Emil Budilovsky, BSD CEO.
- The Report is intended solely for the internal use of the Client. This Report may not be reproduced, in whole or in part, and the findings of this Report may not be used by a third party for any purpose, without our expressed written consent. **Notwithstanding any of the above, this Report may be included in the Client's financial statements of as of June 30, 2015.**
- For the purpose of preparing this Report, we relied upon financial and other information including prospective financial information obtained from the Company and/or anyone on its behalf (the "**Information**"). We assumed that the Information is credible and therefore did not perform an independent audit of the information. In addition, nothing suggesting that the Information may be unreasonable has come to our attention. The Information has not been examined in an independent manner, and therefore this Report does not constitute a verification of the Information's correctness, completeness and accuracy. If the case that the Information is not complete nor accurate or credible, the results described in this Report might change. We reserve the right to update this Report in light of new information which might have not been known to us. We shall not be liable for the manner of the Company's presentation of any financial data quoted in the Report in terms of its accuracy, completeness, accounting compliance and implications of its accounting presentation, as far as any such implications exist.
- This Report includes prospective information, as defined in the Securities Law, 5728-1968, obtained, among others from the Company. The realization of this information is not certain. The information is based in part on data that was known by the Company prior to preparing this Report, as well as on various assumptions and forecasts regarding the Company as well as many external factors; including the state of the market in which the Company operates, potential competitors and the general state of the economy. There is no certainty that such assumptions or forecasts will be realized, in whole or in part.
- Economic evaluations reflect in a reasonable and fair manner a given state of being at a given time, based on known information, while considering the basic assumptions and estimated forecasts. To remove all doubt, this Report is valid only as of its preparation date.
- This Report does not constitute a due diligence review and is not meant to replace such a review. In addition, this Report is not intended to determine value for a specific investor, and there is nothing in this Report to constitute a legal advice or opinion.

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- This Report does not include any accounting audit regarding the compliance with accounting rules. We are not liable for the manner in which the Company's financial statements are prepared and audited in connection with the accuracy and completeness of the data presented in these statements and the implications of their accounting presentation, as far as such exist.
- This Report includes a description of the methodology and main assumptions and analyses used by us. The description does not purport to provide a full and detailed breakdown of all the procedures that we applied in formulating the Report.
- We hereby confirm that we prepared valuations of the Company in the past and that we have no dependency on the Company, and that our fee for preparing this Report does not depend on the valuation's outcome.
- We hereby confirm that we have no personal stake in the Company / its controlling stakeholders
- Figures presented in this Report are rounded. Therefore, slight differences may occur upon summing or multiplying of figures presented.
- The Firm and any company controlled by it directly and / or indirectly as well as any controlling shareholder, officer and employee in any of such, are not liable for any damage, loss of profit or expense of any kind and nature, including direct and / or indirect, which might incur to anyone relying on the mentioned in this Report, in whole or in part.
- Nothing in this report constitutes an offer or recommendation or opinion regarding the profitability of the purchase or sale of securities.
- The Company shall not be entitled to receive from us, whether due to contract or damages, in accordance with the law or otherwise, any sum due to loss of profits, data or reputation, or due to any consequential damage, random or indirect, or as special or punitive damages regarding any lawsuits resulting from services provided by us, whether the likeliness of such loss or damage has been expected or not, in the case where we have not acted with malice.
- In addition, the Client hereby agrees to indemnify us for any sum, obligation, cost or expense paid by it or that it might be required to pay, stemming from a suit, request, complaint or other proceedings against it (including civil, administrative or criminal, in courts or outside of them, arbitration procedures and mediation procedures) whose pretext stems from or is related to, directly or indirectly, to the performance of the services, including, but not limited to – reasonable court expenses (including legal consultation retainer fees, professional consulting services, experts' opinions, trial expenses, arbitrator or mediator fees) and other expenses that may arise in the course defense efforts (the "**Total Indemnifications Amount**"). Notwithstanding any of the above, we shall cover if the Total Indemnification Amount shall be less than three times our fees under this engagement letter, we shall not be entitled to any indemnification. The Client shall pay the indemnity immediately upon receiving the first written request by the Firm and in any event, not later than 14 days from the date such request is received via registered mail.

Profile of the Appraising Firm and the Appraisers

Prometheus Financial Advisory (the "**Firm**") specializes in providing clients with financial and economic advisory services as well as expert opinions. The firm is led by its CEO & Chief Economist, CPA Yuval Zilberstein, and Eng. Eyal Szewach.

The Firm is committed to personal service, while providing clients with in-depth value added advisory services. The Firm's executives were involved in most major transactions in Israel in recent years and have decades of experience in providing expert opinions for boards of directors, tax and securities authorities, and courts.

This work was prepared by a team headed by Mr. Yuval Zilberstein, CPA, MBA, founding partner and CEO of the firm. Mr. Zilberstein has over 20 years of expertise in valuations, financial report analysis, preparing expert opinions and providing a diverse range of financial advisory services for companies and businesses.

Yours faithfully,

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Prometheus Financial Advisory Ltd.

August 30, 2015

Sources of Information

The main sources of information used for the purpose of preparing the report are as follows:

- Background information and market data, obtained from public sources.
- The Company's financial statements as of Dec.31, 2010-2014, March.31, 2015 (audited) and as of June.30, 2015 (Unaudited).
- Bloomberg Database.
- Additional information provided to us by the Company at our request.
- Meetings and/or discussions with the following Company’s executives:
  - Gil Hochboim - CEO
  - Pavel Buber - Controller

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Executive Summary

General

Introduction

- WFI was incorporated in 1992 and issued shares on the Tel Aviv Stock Exchange, in 1993. The Company's principal activities are carried out by the NASDAQ traded G. Willi-Food International Ltd. ("**WFINT**"), in which WFI holds 62.39% as of June 30, 2015.
- The Company is mainly engaged in the import, marketing and distribution of a range of over 600 food products and is a leading Israeli food importers. Its products are sold to over 2,000 customers that are divided into two main types:
  - The organised market: which includes the major retail supermarket chains (Shufersal, Mega Retail and Coop Israel);
  - Others: private sector (wholesalers, private food chains, mini-markets), manufacturers, institutional customers, and government

Valuation Methodology and results

An unleveraged discounted cash flow ("**DCF**") approach was applied using a 10.5% WACC and a permanent growth rate of 2%.

WFINT's cash generating unit value ("CGU"), as of June 30, 2015, is NIS 191.3 mm.

According to the Client WFINT's book value is NIS 280.8 mm. Therefore, the conclusion is that the goodwill & other intangible assets are impaired in the value of 89.5 mm.

Comparison to Previous Valuation Results

Impairment Test (December 31, 2014): NIS 286 mm

Reconciliation with Previous Valuation Results

1. **Deviation of Company's Budget:** 2015-H1 Actual revenues had large deviations from forecasts:

	Budget	Actual	Deviation
Q1	95,656	86,176	(10%)
Q2	102,125	71,174	(30%)
Total	**197,781**	**157,350**	**(20%)**

Q1 revenues missed the budget by 10%, but was far from conclusive. In Q2, we can see that the Company missed its budget by 30% and the trend is negative.

Prometheus Financial Advisory

Executive Summary

Previous Valuations

Reconciliation with Previous Valuation Results (con't)

2. **Alon blue square debt settlement** - On June 29, 2015 Alon blue square, the controlling shareholder of "Mega Retail" had announced a debt settlement and postponement of debts to suppliers. Mega retail was the second largest customer of WFINT accounting for 7% 2014 revenues, and WFI had to write off some of Mega's debt (and Eden Teva Market debt as well). Mega retail is also the second largest retail chain in Israel and the difficulties it encountered, are another indication of the crisis in the local food market and the adverse effect on WFINT ordinary course of business. Since Alon blue square's announcements reg. its financial crisis, its price share dropped by over 60%.

3. **Deterioration in terms of trade with customers** – during July 2015, a public conflict broke out between Shufersl (the biggest food retailer in Israel) and Unilever (One of the biggest food suppliers). The conflict originated after a continuing period of losses to retailers. This conflict between Shufersal and Unilever is a strong indication that food suppliers may find it hard to sustain growth. Furthermore, Shufersal is expanding its "private label" and making efforts to increase independent import on the expense of its suppliers such as WFINT.

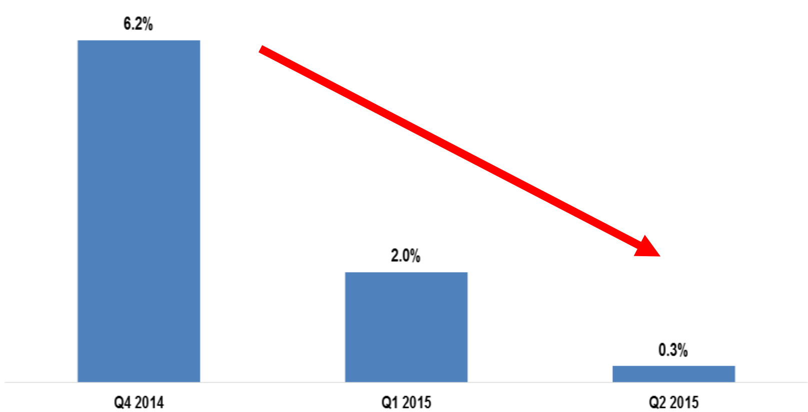
It can also be inferred from recent publications in the media that Rami Levi which considered the largest discount chain in the Israeli retail food market and recently surpassed Shufersal market cap, has began negotiating additional discounts vs. suppliers such as WFINT. Such actions made by Shufersal, Rami Levi and others can be followed by more and more retailers, big as small, and effect the outcomes of wholesale Companies.

Previous Valuations

Reconciliation with Previous Valuation Results (con't)

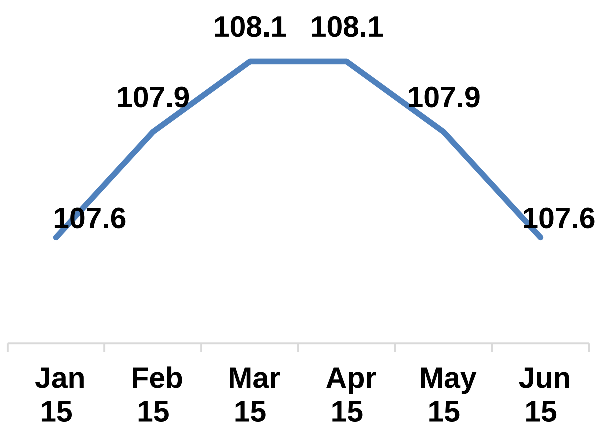
4. **GDP growth deterioration indicators in Q2 of 2015** – As can be seen hereby, from the end of 2014 the economy has experienced a deterioration in economic growth. The current forecast for annual growth of GDP is merely 0.3%

Israel GDP Growth Rate on an Annualized Basis



Source: the Central Bureau of Statistics (Israel), Globes (August 2015)

5. **The "Melnick" Index** which predicted the economic decline in the second quarter as presented hereby, is another strong indication of an upcoming recession.



Source: the Melnick Index (IDC), Calcalist (July-August 2015)

The Melnick Index is calculated as the sum of changes in key economic indicators, such as the Trade and Services Revenues Index and Export of Services Index, that represent various facets of the economic activity. Please note that the Melnick Index slightly differs from BOI's Composite Index.

Executive Summary

Previous Valuations

Reconciliation with Previous Valuation Results (con't)

6. In our December 31, 2014 valuation of the Company and in the current valuation, we determined the reasonability of our valuations by applying an EBITDA multiple. The adjusted EBITDA of WFINT in 2014 was 28.6 (Adjustment included compensation due to operation "protective edge"). The multiple at the time of the December 31, 2014 valuation was 9.73x according to benchmark companies, giving WFINT an enterprise value of NIS 280 mm.

Reasonability Analysis: EBITDA Multiples Approach

As of June 30, 2015 the EBITDA multiple of benchmark companies had decreased to 8.75 and the Company's adjusted LTM EBITDA has also decreased to NIS 23.8 mm, which reflects enterprise value of NIS 208 mm, which is very close to our valuation.

Chapter 1: Description of the Company

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Chapter 1: Description of the Company

General overview

Introduction

- WFI is a public company traded on Tel Aviv stock exchange. The Company's principal activities are carried out by G. Willi-Food International Ltd. (hereunder: "**WFINT**"), in which the WFI holds 62.39% of the shares, as of June 30, 2015. WFINT is traded on the NASDAQ stock market.
- WFI was incorporated on November 27, 1992 and issued shares on the Tel Aviv Stock Exchange, in January 1993. The Company and its subsidiaries are mainly engaged in the import, marketing and distribution of a range (more than 600) of food products and is one of Israel's leading food importers.
- WFI's products are sold to more than 2,000 customers throughout Israel, Europe and the U.S. WFI's customers are divided into two main types:
- <u>The organized market</u> - which includes the major retail supermarket chains (Shufersal, Mega Retail and Coop Israel);
- <u>Others</u> - the private sector, including private food chains, mini-markets, wholesalers, institutional customers, government and manufacturers.

Products

The Company imports, markets, distributes and sells a wide range of products, in each case with a "shelf life" which is relatively long. According to the Company's officials, the Company intends to expand its range of imported products.

The main products that the Company sells are:

- <u>Canned Vegetables and Pickles</u> - These products are mainly imported from China, Greece, Thailand, Turkey, India and the Netherlands;
- <u>Canned Fruits</u> - These products are imported mainly from China, Thailand, the Philippines, Monaco and Greece.
- <u>Canned fish</u> - These products are mainly imported Thailand, the Philippines, Greece, Portugal, Lithuania, Germany and Sweden.
- <u>Oils</u> - These products are imported mainly from Italy, Spain, Turkey, Belgium and the Netherlands.
- <u>Dried fruits and nuts</u> - These products are mainly imported from Greece, Turkey, India, China, Ethiopia, Thailand and the United States.
- <u>Dairy products and substitutes</u> - These products are mainly imported from Denmark, Greece, France, Germany, Spain, the Netherlands, Bulgaria, Italy and Lithuania.

Chapter 1: Description of the Company

General overview

Competition

There is a constant and fierce competition between the Company, local manufacturers and other importers. In some categories, the competition is between a large number of local manufacturers and in some areas the competition is between a large numbers of importers. The food market is characterized by high sensitivity to prices (which is intensified in recent years).

Seasonality

In most cases, there is a growth in the Company's sales before the Jewish holidays of Rosh Hashana and Passover, therefore during the period of the Jewish holidays the Company increases the volume of its inventory in order to be able quickly to respond to market needs.

Regulatory Changes

On January 15, 2015, the Promotion of Competition in the Food Industry act has entered into force (the "**Law**"). The declared purpose of the Law is to bring about a reduction in retail prices by increasing competition in the food and the consumer goods sectors. The Law concerns a number of key matters: regulating suppliers' and retailers' activities, price transparency, powers of enforcement, penalties, and financial sanctions.

Although this Law is supposedly in favor of the relatively small suppliers such as the Company, the Company is it is yet unsure whether the Law's effect will be significant to the Company's business results.

General overview

Risks

The Company is affected by macroeconomics factors such as:

- Global and local conditions - growth rate, the state of the local economy, inflation, food consumption per capita and per capita disposable income. According to the OECD forecasts update[1] the Israeli gross domestic product (GDP) is projected to increase by 3.38% in 2015, and by 3.45% in 2016. According to the Israeli Central Bureau of Statistics the rate of inflation in 2014 was negative and stood on -0.2% and in 12 months ended in June 2015, the Israeli market has experienced a negative inflation of -0.4%.
- Security situation –. Deterioration in the security situation may lead, directly to decrease in demand and indirectly, to changes in the purchase prices of the Company's products. For example, according to a recent publication by Israel's Central Bureau of Statistics[2], during the third quarter of 2014 ("Protective Edge Operation") Israel's GDP has decreased at an annual rate of 0.3% (a total accumulative loss of c.3.5 billion).

Risks (cont.)

- Fluctuations in foreign exchange rates – a significant portion of the Company's COGs are in foreign currency (usually USD and EUR), while sales are made in NIS. Based on historical results and according to the management of the Company, the Company is well able to translate any currency fluctuations on the customers.

1 - http://data.oecd.org/israel.htm

2 - Excerpt from the "Bank of Israel – Annual Report for 2014" to be published soon: The effect of military conflicts on economic activity

Chapter 2 - Analysis of Financial Statements

Balance Sheet

The following table presents WFINT Balance Sheet.

NIS '000	31.12.2012	31.12.2013	31.12.2014	30.6.2015
Assets				
Current assets				
Cash and cash equivalents	57,563	36,197	82,902	86,178
Financial assets carried at fair value through profit or loss	158,810	112,864	122,733	124,416
Short-term deposit	-	-	19,445	19,235
Trade receivables	71,340	82,932	86,690	87,682
Other receivables and prepaid expenses	5,988	2,694	3,700	2,485
Inventories	49,270	54,001	48,586	46,932
Current tax assets	-	-	1,372	2,463
Loan carried at fair value through profit or loss	-	65,300	-	-
Total current assets	**342,971**	**353,988**	**365,428**	**369,391**
Non-current assets				
Property, plant and equipment	41,628	40,974	45,247	44,563
Prepaid expenses	62	50	133	146
Goodwill	36	36	36	36
Deferred taxes	20	-	505	1,725
Total non-current assets	**41,746**	**41,060**	**45,921**	**46,470**
Total assets	**384,717**	**395,048**	**411,349**	**415,861**

- Net financial assets as of June 30, 2015 were amounted to NIS 210 million. The Company uses cash balances in capital markets.
- Property, plant and equipment is mainly attribute to the investment in the Company's logistics centers and product lines.
- The Working capital as of June 30, 2015 is NIS 114 mm.

Balance Sheet (Cont.)

The following table presents WFINT Balance Sheet.

NIS '000	31.12.2012	31.12.2013	31.12.2014	30.6.2015
Equity and liabilities				
Current liabilities				
Short-term bank debt	9,930	18	-	4
Trade payables	27,268	20,245	15,518	17,072
Employees Benefits	1,659	1,880	2,120	2,265
Accruals	3,446	-	-	-
Current tax liabilities	2,117	637	-	-
Other payables and accrued expenses	5,955	5,282	7,010	3,432
Total current liabilities	**50,375**	**28,062**	**24,648**	**22,773**
Non-current liabilities				
Retirement benefit obligation	581	644	635	594
Deferred taxes	-	499	-	-
Total non-current liabilities	**581**	**1,143**	**635**	**594**
Shareholders' equity	**333,761**	**365,843**	**386,066**	**392,494**
Total equity and liabilities	**384,717**	**395,048**	**411,349**	**415,861**

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Chapter 2 - Analysis of Financial Statements

P&L

The following table presents WFINT P&L:

NIS '000	2012	2013	2014	H1 - 2014	H1 – 2015
Revenue	286,509	336,032	328,741	174,178	157,350
YOY	*8%*	*17%*	*(2%)*		*(10%)*
Cost of sales	217,468	252,355	249,136	132,209	124,792
Gross profit	**69,041**	**83,677**	**79,605**	**41,969**	**32,558**
% of income	*24%*	*25%*	*24%*	*24%*	*21%*
Selling expenses	28,915	35,130	39,696	20,420	19,227
% of income	*10%*	*10%*	*12%*	*12%*	*12%*
General and administrative expenses	16,715	19,408	19,231	9,684	10,211
% of income	*6%*	*6%*	*6%*	*6%*	*6%*
Other Expense (Income)	(46)	(54)	(2,943)	(147)	(2,179)
Operating income	**23,457**	**29,193**	**23,621**	**12,012**	**5,299**
% of income	*8%*	*9%*	*7%*	*7%*	*3%*

- The decrease in revenues in 2015 is explained by decrease in consumption of customers, competition by new and existing players in the Israeli food market and the effect of regulatory changes.
- Selling expenses had increased due to massive advertising since the law was effected on January 15, 2015 which was partially offset be a shift of certain items between COGs and S&M.

Chapter 3 - Valuation

WILLI FOOD

Methodology

The Accounting Standard

At the request of the Client, the Company's evaluation (as of June 30, 2015) will be used for implementing International Accounting Standard No. 36 regarding asset impairment (hereinafter: the "**Standard**") in the Client's financial statements.

The purpose of the Standard is to prescribe the procedures that an enterprise must apply to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount when the carrying value of the asset exceeds the amount to be recovered through use or sale of the asset. In this case, the asset value has been impaired, and the Standard requires the corporation to recognize an impairment loss. The Standard also specifies when a corporation should reverse an impairment loss and requires certain disclosures for impaired assets, and for investments in investee companies that are not subsidiaries, which are carried in the financial statements in an amount that significantly exceeds their market value or net sale price.

The Standard prescribes the accounting treatment and statement required in the event of asset impairment

If an enterprise prepares consolidated financial statements, the Standard will be applied to the accounting treatment of the impairment of all the assets appearing in the enterprise's consolidated balance sheet, including investments in investee companies that are not subsidiaries, goodwill stemming from the acquisition of subsidiaries and fair value adjustments. In effect, this Standard applies to investments in subsidiaries, so that provisions for impairment loss, which are recognized in the consolidated financial statements with respect to assets of the subsidiary, including goodwill and fair value adjustments, will be stated in the separate financial statements of the parent company as a reduction of the investment account in the subsidiary.

The Standard prescribes that the recoverable amount of an asset should be estimated whenever there are indications that an asset may be impaired. This standard requires recognizing the impairment loss of an asset (i.e. the value of the asset has declined) whenever the carrying amount of the asset exceeds its recoverable amount. An impairment loss will be recognized in the statement of profit and loss for those assets stated at cost and should be treated as a revaluation decrease, and only for those assets carried at a revalued amount in accordance with other accounting standards or in accordance with the provisions of any law.

Methodology (Cont.)

The Accounting Standard (cont.)

The Standard prescribes that a recoverable amount shall be calculated as fair value less cost to disposal or value in use, whichever is higher:

1. The fair value less cost to disposal is the amount obtainable from the sale of the asset in a good faith transaction between a knowledgeable and willing buyer and seller, less direct incremental disposal costs
2. The value in use of the asset is the estimate of the present value of future cash flows to be derived from use and disposal of the asset at the end of its useful life.

In determining the asset's value in use, this Standard requires that the enterprise use, among other things:

1. Cash flow projections based on reasonable and substantiated assumptions which:
    - Reflect the present situation of the asset;
    - Represent management's best estimate on the economic conditions that will prevail for the rest of the asset's useful life.
2. The pre-tax discount rate, reflecting current market assessments of the time value of money and the risks specific to the asset. The discount rate should not reflect risks for which future cash flows have already been adjusted.

In evaluating impairment of a cash-generating unit, this standard requires taking into account goodwill and joint assets (such as head office assets) attributed to that cash-generating unit.

The test for possible goodwill impairment is based on rules and guidelines prescribed in International Accounting Standard No. 36.

Since goodwill cannot be measured separate from the activity, the generally accepted method for testing for goodwill impairment is to measure the recoverable account of each cash-generating unit to which the acquired goodwill or part thereof is allocated and compare it to the carrying value of the assets or liabilities (including the acquired goodwill) allocated to that unit. If the recoverable amount is lower than the carrying amount of the cash-generating unit, the difference will be amortized from the goodwill allocated to that unit. If a difference remains after amortizing all the goodwill, the rest of the assets allocated to that unit should be amortized on a pro rata basis, subject to the recoverable value limitation of these assets.

Methodology (Cont.)

The Accounting Standard (cont.)

As a rule, the test for goodwill impairment includes the following stages:

1. Determining the cash-generating units and the carrying value of their assets and liabilities - This stage includes determining the relevant units for measuring the goodwill value and allocating the assets and liabilities to the various units, including allocation of acquired goodwill.
2. Measuring the recoverable value of each unit - Taking into account the cash flows expected from it and/or its value in use, whichever is higher.
3. Comparing the recoverable value to the carrying value - as stated above.

Valuation Methodology

The Company's enterprise value was calculated based on a "going concern" assumption under value in use premise. We assumed that operations will continue to function over an infinite horizon. The method used in the calculations was the unleveraged discounted cash flow ("**DCF**") approach.

For the purpose of this valuation, we were required to make several assumptions regarding to future operations. The assumptions are derived from the Company's past operating results, with reference to anticipated developments in the Company and in the food wholesaler and distribution market.

Valuation Methodology (cont.)

The valuation assumes that WFINT entire operations are defined as WFI's cash-generating unit (according to IAS 36 Impairment of Assets standard) and is equal to the present value of future cash flows expected from its future operations (the "**CGU**"). These cash flows are discounted using discount rate that reflects the risk level of WFINT's assets.

Cash flow period

The valuation period assumes 5 full years and the rest of the year at present.

Main assumptions

Revenues

- 2015 revenues: WFINT 2015's budget estimated total revenues of NIS 392 millions. Revenue for the year 2015 was adjusted in the end of the first quarter due to WFINT difficulties to meet its revenues forecast. Overall, the Israeli consumer market of food experienced a decrease in consumption during these months which directly affected WFINT[1].
- Revenue Growth: Revenue growth was based on real historical CAGRs (CPI adjusted). WFINT has proven its ability to grow significantly above the market over the years and we expect it to go on doing so. WFINT constantly introduces new products to its portfolio, and the recently announced food act may also boost sales for small wholesalers such as WFINT (as it is intended to do). In 2016, we assumed milder growth in the rate of 2.6% due to food industry consolidation effects.
- In addition, it is important to note that even though two of their biggest clients (Shufersal and Mega) are currently showing financial difficulties, and despite the adverse effects of Operation Protective Edge, 2014's revenues were almost the same as in 2013.

NIS mm	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Inflation Adjusted Revenues (current prices)	205	231	243	255	259	293	278	295	341	331[2]	315
Real Growth		*12%*	*5%*	*5%*	*1%*	*13%*	*(5%)*	*6%*	*15%*	*(3%)*	*(5%)*

As can be seen from the CAGR analysis, WFINT's real CAGR rates have been fairly stabled.

CAGR-2005-2015	4.4%
CAGR-2006-2015	3.5%
CAGR-2007-2015	3.3%
CAGR-2008-2015	3.0%
CAGR-2009-2015	3.3%
CAGR-2010-2015	1.4%
CAGR-2011-2015	3.1%
CAGR-2012-2015	2.1%

AVERAGE CAGR	**3.0%**
MEDIAN CAGR	**3.2%**

Note:

The 10 year period covered in the table above includes both high and low years in the local and global economy, and are fairly stable despite this fact.

1–globes - http://www.globes.co.il/news/article.aspx?did=1001010392

2- During 2014, WFINT received a sum of NIS 2.9 million from the Israeli authorities for damages incurred by Operation Protective Edge. This sum was added to WFINT 2014's revenues.

Main Assumptions (Cont.)

Gross Margin

According to WFINT management, the significant investment in a new logistic center should help improve gross margins due to reduced outsourced logistics' costs and due to the significantly higher margins of refrigerated goods. GM was assumed to grow only to 23.4% (similar to previous years, 2011 & 2012) as opposed to higher expectation of the Company and previous assumptions. As a result from implementing the law, there is a shifting between COGS and S&M, expressing in decrease in S&M and increase in the same amount in COGS.

CAPEX

Based on information we received from WFINT the expected investment of c. NIS 3.3 million in 2015 is due to the renovation of existing capital equipment. For future years it was assumed that WFINT's annual CAPEX would be around c. 2.0 million according to average CAPEX expenditures in 2008-2012 (before the establishment of the logistics center in 2013-2014) and will grow with sales. CAPEX in the terminal year was assumed at c.NIS 3.9 million according to the average of the years 2013-2019 to include both maintenance CAPEX and one time CAPEX expenditures.

Tax

We assumed the statutory 26.5% tax rate.

Working Capital

Considering the relatively stable working capital levels (as percentage of revenues) in previous years, it was assumed that working capital levels will converge to average levels of the year 2014 and first half of 2015.

Permanent Growth (Terminal Year Growth Rate)

Permanent growth rate was assumed to stand at 2% (in real terms), slightly above population growth but much lower than the WFINT's actual CAGR.

WACC

A WACC of 10.5% and a permanent growth rate of 2% were used in this valuation.

We note that discount rate calculated by the CAPM model is lower (for further details, see Appendix 1).

Chapter 3 - Valuation

Cash Flow Projection

NIS mm	2010A	2011A	2012A	2013A	2014A	1-6 2015A	7-12 2015E	2015E	2016E	2017E	2018E	2019E	2020E	TY
Revenues	**271.1**	**264.4**	**286.5**	**336.0**	**328.7**	**157.4**	**157.4**	**314.7**	**322.8**	**333.1**	**343.7**	**354.7**	**366.0**	**373.4**
YOY	17.8%	(2.5%)	8.4%	17.3%	(2.2%)		*0.0%*	(4.3%)	*2.6%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*	*2.0%*
Cost of sales	195.0	202.7	217.5	252.4	249.1	124.8	124.8	249.6	252.6	259.3	266.2	273.3	280.5	
Gross profit	76.2	61.7	69.0	83.7	79.6	32.6	32.6	65.1	70.2	73.8	77.6	81.5	85.5	
%	28.1%	23.3%	24.1%	24.9%	24.2%	20.7%	*20.7%*	*20.7%*	*21.7%*	*22.2%*	*22.6%*	*23.0%*	*23.4%*	
S&M	31.1	27.5	28.9	35.1	39.7	19.2	19.2	38.4	33.9	35.0	36.1	37.3	38.5	
%	11.5%	10.4%	10.1%	10.5%	12.1%	12.2%	*12.2%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*	*10.5%*	
G&A	17.8	17.4	16.7	19.4	19.2	8.4	8.4	16.9	17.3	17.9	18.4	19.0	19.6	
%	6.6%	6.6%	5.8%	5.8%	5.8%	5.4%	*5.4%*	*5.4%*	*5.4%*	*5.4%*	*5.4%*	*5.4%*	*5.4%*	
Other Expenses	1.0	1.0	0.8	0.9	(1.7)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	
%	0.4%	0.4%	0.3%	0.3%	(0.5%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	
Total Operating Expenses	49.9	45.9	46.4	55.4	57.2	27.5	27.5	55.0	50.9	52.6	54.2	56.0	57.8	
%	18.4%	17.4%	16.2%	16.5%	17.4%	17.5%	*17.5%*	*17.5%*	*15.8%*	*15.8%*	*15.8%*	*15.8%*	*15.8%*	
EBIT	26.2	15.8	22.6	28.3	22.4	5.0	5.0	10.1	19.2	21.2	23.3	25.5	27.8	
%	10%	6%	8%	8%	7%	3%	*3%*	*3%*	*6%*	*6%*	*7%*	*7%*	*8%*	
D&A	**5.8**	**3.5**	**3.1**	**4.5**	**3.6**	**1.8**	**2.0**	**3.8**	**4.1**	**4.4**	**4.4**	**4.4**	**4.4**	
%	2.1%	1.3%	1.1%	1.3%	1.1%	1.1%	*1.3%*	*1.2%*	*1.3%*	*1.3%*	*1.3%*	*1.2%*	*1.2%*	
EBITDA	**32.1**	**19.3**	**25.8**	**32.7**	**26.0**	**6.8**	**7.0**	**13.9**	**23.3**	**25.6**	**27.7**	**29.9**	**32.1**	**32.8**
%	11.8%	7.3%	9.0%	9.7%	7.9%	4.4%	*4.5%*	*4.4%*	*7.2%*	*7.7%*	*8.1%*	*8.4%*	*8.8%*	*8.8%*
CAPEX	4.7	1.3	1.4	6.0	7.1	2.2	1.1	3.3	3.4	3.5	3.6	3.7	3.8	3.9
WC				112	114	53	115	115	115	119	123	127	131	133
%				33%	35%	34%	*37%*	*37%*	*36%*	*36%*	*36%*	*36%*	*36%*	*36%*
Increase (Decrease) in WC							1.0		(0.1)	3.7	3.8	3.9	4.0	2.6
Tax							1.3		5.1	5.6	6.2	6.8	7.4	7.6
%							*26.5%*		*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*
CF							**3.6**		**14.9**	**12.8**	**14.1**	**15.5**	**16.9**	**18.6**

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Valuation Results

Valuation Results

G.Willi-Food International	NIS mm
Total CGU Enterprise Value	191.3

Based on the forecasted cash flows presented above, WFINT's CGU enterprise value, as of June 30, 2015, is NIS 191.3 million.

Reasonability Analysis

The EV/EBITDA industry multiple stands at of 8.76x (median) (please refer chapter 4 for further details regarding the identified multiple). For this matter, WFINT's adjusted EBITDA for the 12 months ended in June 30, 2015 is NIS 23.8 million.

This gives WFINT an Enterprise Value of c. **NIS 208.3** which close (and slightly higher) than our DCF model results. The difference between the EV derived from the EBITDA multiple and the DCF approach is immaterial.

Book Value (June 30, 2015)

Assets	NIS '000
Current Assets	
Trade receivables	87,711
Other receivables and prepaid expenses	2,030
Inventories	46,969
Total current assets	**136,710**
Fixed assets, net	52,985
Other receivables and long-term prepaid expenses	147
Customers relationship	19,794
Suppliers relationship	10,374
Brand	5,189
Non competition agreements	4,754
Goodwill	87,720
Total non current assets	**180,963**
Total assets	**317,673**

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Valuation Results

Book Value (June 30, 2015) (cont.)

Equity and liabilities	NIS '000
Current liabilities	
Trade payables	17,187
Other account payables	4,098
Employees benefits liabilities, net	2,260
Total current liabilities	**23,545**
Non-current liabilities	
Employees benefits liabilities, net	594
Deferred taxes	12,717
Total non-current liabilities	**13,311**
Equity	**280,817**
Total equity and liabilities	**317,673**

The Book Value is NIS 280.8 mm, of which the Goodwill is NIS 87.7 mm.

Conclusion

According to WFINT CGU's related assets and liabilities as of June 30, 2015, its book value is NIS 280.8 million while the enterprise value derived of our valuation is NIS 191.3 million. Therefore, it is concluded that the goodwill & other intangible assets are impaired in the value of 89.5 million.

Sensitivity Analysis

The table bellow shows the changes in the enterprise value of the WFINT, given a range of discount rates and permanent growth rates:

		WACC				
		9.5%	**10.0%**	**10.5%**	**11.0%**	**11.5%**
Permanent Growth	**1.0%**	207.9	195.3	184.1	174.0	164.9
	1.5%	212.9	199.5	187.5	176.8	167.3
	2.0%	218.6	204.1	**191.3**	180.0	169.8
	2.5%	225.1	209.3	195.6	183.4	172.7
	3.0%	232.6	215.4	200.4	187.4	175.9

Chapter 4 - Comparison to Previous Valuations

Chapter 4: Comparison to Previous Valuations

Previous Valuations

Disclosure

We have prepared during 2014 several valuations of WFI. The first was provided for the Client and the Company for the transaction (the "**Transaction Valuation**"), the second was as part of a PPA which followed the acquisition (May 2014) (the "**PPA**"), the third was an impairment test valuation as of September 30, 2014 (the "**Impairment Test as of Sep. 30, 2014**"), and the fourth was also an impairment test valuation as of December 31, 2014 (the "**Impairment Test as of Dec. 31, 2014**"). The valuations were based on WFI and WFINT's financial statements available at the time of preparations and budgets.

Comparison to Previous Valuations

The table compares the enterprise value reached in this Report against the Transaction Valuation, the valuation used in the PPA, the impairment test as of September 30, 2014 and the Impairment Test as of December 31, 2014 (for an equity valuation comparison to previous valuations, please refer to Appendix 2).

WFINT NIS mm	Impairment Test Jun. 30, 2015	Impairment Test Dec. 31, 2014	Impairment Test Sep. 30, 2014	PPA Valaution May 2014	Transaction Valuation February 2014
G.Willi-Food International – CGU Enterprise Value	**191.3**	292.8	329.0	480.0	546.7
Difference - compared against Current Impairment Test (Jun. 30, 2015)		*(35%)*	*(42%)*	*(60%)*	*(65%)*

The table illustrates that WFINT's enterprise value as of June 30, 2015 is c.35% lower than the value reached in the Impairment Test as of December 31, 2014, 42% lower then the value reached in the impairment test as of September 30, 2014, 60% lower than the value reached in the PPA and 60% lower then the enterprise value reached in the Acquisition Valuation.

Enterprise Value

Comparison of Key Assumptions against Previous Valuations

The following table illustrates key assumptions as they were incorporated in this valuation and in previous valuations:

NIS mm	Impairment Test Jun. 30, 2015	Impairment Test Dec. 31, 2014	Impairment Test Sep. 30, 2014	PPA Valaution May, 2014	Transaction Valuation February 2014
Revenue CAGR (2015-2018)	3.2%	4.8*[1]	4.9%	12.8%	4.6%
EBITDA (Terminal Year)	31	43	49	77	75
EBITDA margin (Terminal Year)	8.2%	10.4%	11.4%	12.6%	14%
WACC	10.5%	10.5%	10.5%	11.2%	10.0%
Methodology	DCF	DCF	DCF	DCF	DCF

Clarifications

The significant difference between this valuation and the previous Valuations is due to the fact that the Company missed its budgets and lowered its forecasts. Moreover, in this valuation, and in light of the Israeli food market condition in 2015, we applied a lower projected revenues for 2015 in comparison to the Company's budget and a significant lower representative EBITDA in the terminal year.

Regarding WFINT's discount rate, in light of WFINT's financial results as of the PPA's preparation date (June 2014), it was assumed that the risk has increased and therefore the WACC used in the PPA was increased by 1.2%.

As detailed above, the discount rate used in this valuation and the Impairment Test as of Dec. 31, 2014 is inline with the discount rate used in the PPA Valuation but with an adjustment to reflect mainly the decrease in risk-free interest and the change in leverage ratio.

1- excluding year 2015

Previous Valuations

Reconciliation with Previous Valuation Results

1. **Deviation of Company's Budget:** 2015-H1 Actual revenues had large deviations from forecasts:

	Budget	Actual	Deviation
Q1	95,656	86,176	(10%)
Q2	102,125	71,174	(30%)
Total	**197,781**	**157,350**	**(20%)**

Q1 revenues missed the budget by 10%, but was far from conclusive. In Q2, we can see that the Company missed its budget by 30% and the trend is negative.

2. **Alon blue square debt settlement** - On June 29, 2015 Alon blue square, the controlling shareholder of "Mega Retail" had announced a debt settlement and postponement of debts to suppliers. Mega retail was the second largest customer of WFINT accounting for 7% 2014 revenues, and WFI had to write off some of Mega's debt (and Eden Teva Market debt as well). Mega retail is also the second largest retail chain in Israel and the difficulties it encountered, are another indication of the crisis in the local food market and the adverse effect on WFINT ordinary course of business.

   Since Alon blue square's announcements reg. its financial crisis, its price share dropped by over 60%.

3. **Deterioration in terms of trade with customers** – during July 2015, a public conflict broke out between Shufersl (the biggest food retailer in Israel) and Unilever (One of the biggest food suppliers). The conflict originated after a continuing period of losses to retailers. This conflict between Shufersal and Unilever is a strong indication that food suppliers may find it hard to sustain growth. Furthermore, Shufersal is expanding its "private label" and making efforts to increase independent import on the expense of its suppliers such as WFINT.

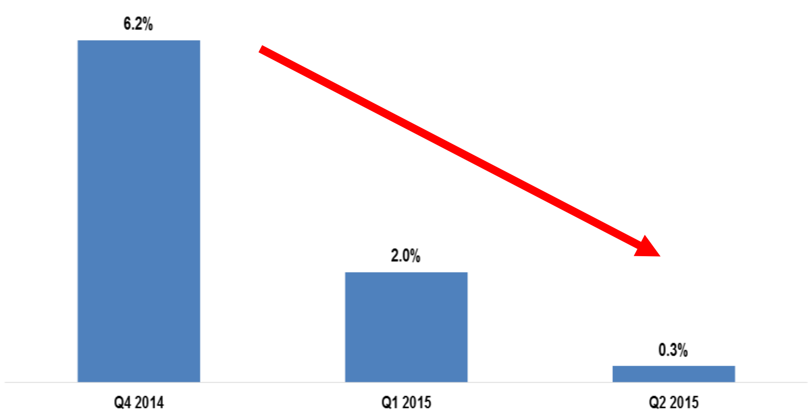
It can also be inferred from recent publications in the media that Rami Levi which considered the largest discount chain in the Israeli retail food market and recently surpassed Shufersal market cap, has began negotiating additional discounts vs. suppliers such as WFINT. Such actions made by Shufersal, Rami Levi and others can be followed by more and more retailers, big as small, and effect the outcomes of wholesale Companies.

Previous Valuations

Reconciliation with Previous Valuation Results (con't)

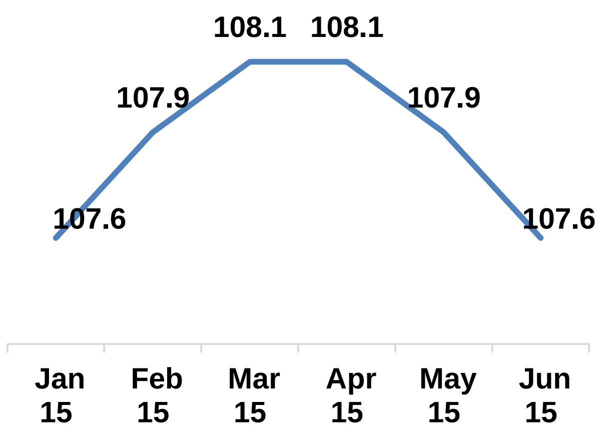
4. **GDP growth deterioration indicators in Q2 of 2015** – As can be seen hereby, from the end of 2014 the economy has experienced a deterioration in economic growth. The current forecast for annual growth of GDP is merely 0.3%

Israel GDP Growth Rate on an Annualized Basis



Source: the Central Bureau of Statistics (Israel), Globes (August 2015)

5. **The "Melnick" Index** which predicted the economic decline in the second quarter as presented hereby, is another strong indication of an upcoming recession.



Source: the Melnick Index (IDC), Calcalist (July-August 2015)

The Melnick Index is calculated as the sum of changes in key economic indicators, such as the Trade and Services Revenues Index and Export of Services Index, that represent various facets of the economic activity. Please note that the Melnick Index slightly differs from BOI's Composite Index.

Previous Valuations

Reconciliation with Previous Valuation Results (con't)

6. In our December 31, 2014 valuation of the Company and in the current valuation, we determined the reasonability of our valuations by applying an EBITDA multiple. The adjusted EBITDA of WFINT in 2014 was 28.6 (Adjustment included compensation due to operation "protective edge"). The multiple at the time of the December 31, 2014 valuation was 9.73x according to benchmark companies, giving WFINT an enterprise value of NIS 280 mm.

Reasonability Analysis: EBITDA Multiples Approach

As of June 30, 2015 the EBITDA multiple of benchmark companies had decreased to 8.75 and the Company's adjusted LTM EBITDA has also decreased to NIS 23.8 mm, which reflects enterprise value of NIS 208 mm, which is very close to our valuation.

Chapter 5- Comparison to Market Cap

Comparison to Market Cap

Comparison to Market Cap as of June 30, 2015

Based on the forecasted cash flows presented above, WFI's equity value is NIS 292.8 million.

WFI's market cap as of the same date is NIS 163.5 million – this represent a difference of NIS 129.3 million. The following table represent WFI's average, highest and lowest market caps during the 6 months prior to June 30, 2015 :

NIS mm	6 Months Average	Highest	Lowest
Market Cap	193.5	223.4	163.5

Methodology

In order to validate whether WFI's market cap is indicative of its value in use, we have performed a comparison between WFI's enterprise value to EBITDA multiple (the "**EV/EBITDA Multiple**") with EV/EBITDA Multiple of similar companies as of June 30, 2015.

The first step was to derive WFI's enterprise value and EBITDA of its market cap while considering its holdings in WFINT.

The second step is to compare between the EV/EBITDA Multiples to consider whether WFI's market cap is indicative of is value in use.

Analysis of WFI's Enterprise Value implied by market Cap

June 30, 2015	**NIS mm**
Company's cash surplus	42.4
WFINT cash surplus	224.4
Company's holdings in WFINT	62.39%
Company's share in surplus	140
Total Company's cash surplus	**182.4**
Company's Market Cap	163.5
Company's Derived Enterprise Value	**(18.9)**

Since WFI's derived Enterprise Value is negative, it is by itself unreasonable since the Company is profitable.

In addition according to WFI's June 30, 2015 financial statements, it owns real property and equipment at a value of NIS 45 million and working capital as of NIS 114 million, further substantiating the conclusion that its enterprise value cannot be negative.

Appendix 1 - WACC

Appendix 1 - WACC

Calculation of WACC according to CAPM Model

Cost of Equity

Parameter	Value	Comment
Risk-free interest	1.6%	1
Market Premium	6.0%	2
Leveraged Beta	0.47	3
Specific risk premium	5.99%	4
Cost of equity	**10.33%**	

1. According to Israeli Government real bonds, fixed interest for a 30 year period, as of June 30, 2015 from Bloomberg.
2. Based on research carried out by the firm on the stock market performance between the years 2000-2013.
3. Beta was calculated using similar companies. According to our examination, there are no traded companies that are identical to the Company. We therefore chose companies that have similar characteristics to those of the Company but differ from each other, in order to create a mix that will optimally express the characteristics of the Company.
4. According to Duff & Phelps - Valuation Handbook Guide to Cost of Capital 2014.

WACC summary

Parameter	Value
Risk-free interest	1.5%
Beta	0.47
Market premium	6%
Specific risk premium	5.99%
Cost of equity	**10.33%**
Cost of debt[1]	5.3%
Tax rate	26.5%
D/V	11%
WACC	**9.6%**

1- The yield on the Company's corporate bond as of December 31, 2014.

Despite the low WACC derived from the CAPM model, we used a discount rate of 10.5%, inline with the previous valuation (adjusted to reflect mainly the decrease in risk-free interest and the change in leverage ratio).

A discount rate of 10.5% is equivalent to a pre tax discount rate of 13.9%.

Appendix 1 - WACC

Calculation of WACC according to CAPM Model

Company	Unlevered Beta	D/V
YUASA FUNASHOKU	0.72	0%
YOKOHAMA REITO	0.53	36%
YOKOHAMA MARUUO	-	-
WINNER GROUP ENT	0.73	0%
WICAKSANA OVERSE	0.76	0%
UNITED NATURAL	1.03	12%
TSUKIJI UOICHIBA	0.59	41%
TRAFCO GROUP BSC	0.40	0%
TOHTO SUISAN CO		
SYSCO CORP	0.77	10%
SATOH & CO LTD	0.29	0%
SAHA PATHANAPIBU	0.39	0%
SAF MAGELLAN AD	-	-
PREMIER MARKET	0.34	0%
OUG HOLDINGS INC	0.34	65%
OOMITSU	0.23	62%
NORWAY ROYAL SAL	0.46	19%
NETO ME HOLDINGS	0.56	4%
NETO MALINDA TRA	0.14	6%
MITSUBISHI SHOKU	0.80	4%
MARR SPA	0.80	14%
LEROEY SEAFOOD G	0.69	11%
KATO SANGYO CO	0.92	0%
ITOCHU-SHOKUHIN	0.53	0%
IK CO LTD	0.29	39%
IFUJI SANGYO CO	0.34	11%
HUNG VUONG CORP	0.08	49%
HOHSUI CORP	0.43	45%
HAMAMA MEIR TRA	0.07	73%
GRAAL	0.23	35%
FYFFES PLC	0.16	3%
FRESHTROP FRUITS	-	-
EMPRESAS TAGAROP	0.04	90%
EMPERIA	0.35	0%
DOMINION CITRUS	1.55	0%
DELICA FOODS CO	0.28	13%
DAITO GYORUI CO	0.49	34%
DAISUI CO LTD	0.17	31%
CORE-MARK HOLDIN	0.88	6%
COLABOR GROUP	0.11	83%
CJ FRESHWAY CORP	0.40	18%
CIA PESQUERA CAM	0.43	0%
CHUO GYORUI CO	-	-
CARIBBEAN PRODUC	0.33	45%
CALAVO GROWERS I	0.76	4%
BUCUR SA BUCURES	-	-
AMCON DISTRIBUT	0.51	27%
Median	**0.43**	**11%**

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Appendix 2
Comparison to Previous Valuations (Equity Value)

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Appendix 2 – Comparison to Previous Valuations (Equity Value)

Equity Valuation Comparison

Further Analysis

Based of the valuation of WFINT's enterprise value presented above, following is a table to calculate WFI's equity value:

G.Willi-Food International	**NIS mm**
Total EV	191.3
Cash Surplus	210
Equity Value	401.3

Willi-Food Investments	**NIS mm**
G.Willi-Food International	401.3
Stake in G.Willi-Food (%)	62.39%
Stake in G.Willi-Food	250.4
Cash surplus	42.4
Equity Value	**292.8**

The total Equity value of WFI as of June 30, 2015 is NIS 292.8 million (based on value in use).

Appendix 2 – Comparison to Previous Valuations (Equity Value)

Equity Valuation Comparison

Comparison to Previous Valuations in terms of Equity Value

The tables below compares the value reached in this Report to WFI's acquisition valuation, it's market cap and valuation used in the PPA.

WFI NIS mm	Impairment Test Jun. 30, 2015	Impairment Test Dec. 31, 2014	Impairment Test Sep. 30, 2014	PPA Valaution May 4, 2014	Transaction Valuation February 2014
G.Willi-Food International	401.3	517.3	552.5		761.7
Stake in G.Willi-Food (%)	62.39%	58.17%	58.17%		58.17%
Stake in G.Willi-Food	250.4	300.9	321.4		443.1
Cash surplus	42.4	53.0	67.3		62.0
Equity Value	**292.8**	**353.9**	**388.7**	**461.7**	**505.1**

Difference - compared against Impairment Test Jun. 30, 2015		*(17%)*	*(25%)*	*(37%)*	*(42%)*

The table illustrates that the value in use as of Jun. 30, 2015 is c.17% lower than WFI's value in the Impairment Test as of Dec. 31, 2014, 25% lower than WFI's value in the Impairment Test as of Sep. 31, 2014, 37% lower than WFI's acquisition value (prepared in February 2014) and 42% lower then the PPA purchase valuation in May, 2014.

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