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G WILLI FOOD INTERNATIONAL LTD

Form 6-K

September 25, 2007

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of the Report: September 25, 2007

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

4 NAHAL HARIF ST., YAVNE, ISRAEL 81106  
(Address of principal executive offices)  
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Indicate by check mark whether registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F  FORM 40-F

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

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

Indicate by check mark whether registrant by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

YES  NO

If "YES" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_.

EXPLANATORY NOTE

Attached hereto and incorporated by reference herein are the following:

ITEM 1 - Condensed Consolidated financial statements of G. Willi-Food International Ltd. for the six month period ended June 30, 2007, prepared in accordance with generally accepted accounting principles in the United States (these financial statements are in addition to the second quarter 2007 results that were contained in a press release dated August 27, 2007 and filed under Form 6-K that day):

- a. Condensed Consolidated Balance Sheets as of June 30, 2007 (unaudited) and December 31, 2006.

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- b. Condensed Consolidated Statements of Operations for the six and three month periods ended June 30, 2007 and June 30, 2006 (unaudited).
- c. Condensed Statements of Shareholders' Equity for the period ended June 30, 2007 (unaudited).
- d. Condensed Consolidated Statements of Cash Flows for the six and three month periods ended June 30, 2007 and June 30, 2006 (unaudited).
- e. Notes to Condensed Consolidated Financial Statements.

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

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

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### SIGNATURES

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

G. WILLI-FOOD INTERNATIONAL LTD.

By: /s/ Yaron Levy

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Yaron Levy  
Chief Financial Officer

Dated: September 25, 2007

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ITEM 1

G. WILLI-FOOD INTERNATIONAL LTD.

### INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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5. Notes to Condensed Consolidated Financial Statements.

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

|                                                 | JUNE 30,<br>-----<br>2 0 0 7<br>-----   | DECEMBER 31,<br>-----<br>2 0 0 6<br>----- | JUNE 30,<br>-----<br>2 0 0 7 (*)<br>----- | DECEMBER 31,<br>-----<br>2 0 0 6<br>----- |
|-------------------------------------------------|-----------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
|                                                 | NIS                                     |                                           | US DOLLARS                                |                                           |
|                                                 | -----<br>I N T H O U S A N D S<br>----- |                                           |                                           |                                           |
| ASSETS                                          |                                         |                                           |                                           |                                           |
| CURRENT ASSETS                                  |                                         |                                           |                                           |                                           |
| Cash and cash equivalents                       | 59,441                                  | 91,398                                    | 13,989                                    | 21,000                                    |
| Marketable securities                           | 32,515                                  | 13,945                                    | 7,652                                     | 3,000                                     |
| Trade receivables                               | 67,094                                  | 48,163                                    | 15,790                                    | 11,000                                    |
| Other receivables and prepaid expenses          | 4,206                                   | 4,499                                     | 990                                       | 1,000                                     |
| Inventories                                     | 31,377                                  | 19,101                                    | 7,385                                     | 4,000                                     |
| TOTAL CURRENT ASSETS                            | 194,633                                 | 177,106                                   | 45,806                                    | 41,000                                    |
| FIXED ASSETS                                    |                                         |                                           |                                           |                                           |
| Cost                                            | 53,513                                  | 49,213                                    | 12,594                                    | 11,000                                    |
| Less: accumulated depreciation and amortization | 7,191                                   | 6,442                                     | 1,692                                     | 1,000                                     |
|                                                 | 46,322                                  | 42,771                                    | 10,902                                    | 10,000                                    |
| OTHER ASSETS, NET                               | 3,399                                   | 94                                        | 800                                       | 1,000                                     |
|                                                 | 244,354                                 | 219,971                                   | 57,508                                    | 51,000                                    |
| LIABILITIES AND SHAREHOLDERS' EQUITY            |                                         |                                           |                                           |                                           |
| CURRENT LIABILITIES                             |                                         |                                           |                                           |                                           |
| Short-term loan                                 | 6,374                                   | -                                         | 1,500                                     | 1,000                                     |
| Trade payables                                  | 29,123                                  | 20,137                                    | 6,854                                     | 4,000                                     |
| Related parties                                 | 3,707                                   | 5,677                                     | 872                                       | 1,000                                     |
| Other payables and accrued expenses             | 6,563                                   | 6,969                                     | 1,545                                     | 1,000                                     |
| TOTAL CURRENT LIABILITIES                       | 45,767                                  | 32,783                                    | 10,771                                    | 7,000                                     |
| LONG TERM LIABILITIES                           |                                         |                                           |                                           |                                           |
| Accrued severance pay                           | 400                                     | 347                                       | 94                                        | 1,000                                     |
| WARRANTS TO ISSUE SHARES OF SUBSIDIARY          | -                                       | 348                                       | -                                         | 1,000                                     |
| MINORITY INTEREST                               | 16,976                                  | 14,754                                    | 3,995                                     | 3,000                                     |
| SHAREHOLDERS' EQUITY                            |                                         |                                           |                                           |                                           |

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|                                                                                                                       |         |         |        |       |
|-----------------------------------------------------------------------------------------------------------------------|---------|---------|--------|-------|
| Ordinary shares NIS 0.10 par value<br>(authorized - 50,000,000 shares, issued and<br>outstanding - 10,267,893 shares) | 1,113   | 1,113   | 262    |       |
| Additional paid-in capital                                                                                            | 61,350  | 61,350  | 14,439 | 14,   |
| Foreign currency translation reserve                                                                                  | 70      | -       | 16     |       |
| Retained earnings                                                                                                     | 118,678 | 109,276 | 27,931 | 25,   |
|                                                                                                                       | -----   | -----   | -----  | ----- |
|                                                                                                                       | 181,211 | 171,739 | 42,648 | 40,   |
|                                                                                                                       | =====   | =====   | =====  | ===== |
|                                                                                                                       | 244,354 | 219,971 | 57,508 | 51,   |
|                                                                                                                       | =====   | =====   | =====  | ===== |

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

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

|                                        | SIX MONTHS                                               |         | THREE MONTHS |         |
|----------------------------------------|----------------------------------------------------------|---------|--------------|---------|
|                                        | ----- ENDED JUNE 30, -----                               |         |              |         |
|                                        | 2 0 0 7                                                  | 2 0 0 6 | 2 0 0 7      | 2 0 0 6 |
|                                        | -----                                                    | -----   | -----        | -----   |
|                                        | NIS                                                      |         |              |         |
|                                        | ----- (IN THOUSANDS , EXCEPT PER SHARE AND SHARE D ----- |         |              |         |
| Sales                                  | 127,216                                                  | 97,745  | 55,771       | 43,200  |
| Cost of sales                          | 92,996                                                   | 71,910  | 42,342       | 31,783  |
|                                        | -----                                                    | -----   | -----        | -----   |
| GROSS PROFIT                           | 34,220                                                   | 25,835  | 13,429       | 11,417  |
|                                        | -----                                                    | -----   | -----        | -----   |
| Selling expenses                       | 13,930                                                   | 9,866   | 7,315        | 4,711   |
| General and<br>administrative expenses | 7,523                                                    | 7,709   | 3,446        | 2,885   |
|                                        | -----                                                    | -----   | -----        | -----   |
| Total operating<br>expenses            | 21,453                                                   | 17,575  | 10,761       | 7,596   |
|                                        | -----                                                    | -----   | -----        | -----   |
| OPERATING INCOME                       | 12,767                                                   | 8,260   | 2,668        | 3,821   |
| Financial income, net                  | 2,354                                                    | 1,380   | 1,478        | 767     |
| Other income                           | 9                                                        | 19,113  | 9            | -       |
|                                        | -----                                                    | -----   | -----        | -----   |
| Income before taxes on<br>income       | 15,130                                                   | 28,753  | 4,155        | 4,588   |
| Taxes on income                        | 3,529                                                    | 2,687   | 372          | 1,218   |
|                                        | -----                                                    | -----   | -----        | -----   |
| Income after taxes on                  |                                                          |         |              |         |

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|                                                                                  |            |           |            |           |
|----------------------------------------------------------------------------------|------------|-----------|------------|-----------|
| income                                                                           | 11,601     | 26,066    | 3,783      | 3,370     |
| Minority interest                                                                | 2,199      | 735       | 894        | 735       |
|                                                                                  | -----      | -----     | -----      | -----     |
| NET INCOME                                                                       | 9,402      | 25,331    | 2,889      | 2,635     |
|                                                                                  | =====      | =====     | =====      | =====     |
| Earnings per share data:                                                         |            |           |            |           |
| Earnings per share:                                                              |            |           |            |           |
| Basic                                                                            | 0.92       | 2.94      | 0.28       | 0.31      |
|                                                                                  | =====      | =====     | =====      | =====     |
| Diluted                                                                          | 0.92       | 2.90      | 0.28       | 0.30      |
|                                                                                  | =====      | =====     | =====      | =====     |
| Shares used in computing<br>basic and diluted<br>earnings per ordinary<br>share: |            |           |            |           |
|                                                                                  | 10,267,893 | 8,615,000 | 10,267,893 | 8,615,000 |
|                                                                                  | =====      | =====     | =====      | =====     |

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

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

|                                      | NUMBER OF<br>ORDINARY<br>SHARES | SHARE<br>CAPITAL | ADDITIONAL<br>PAID-IN<br>CAPITAL | FOREIGN<br>CURRENCY<br>TRANSLATION<br>ADJUSTMENT |
|--------------------------------------|---------------------------------|------------------|----------------------------------|--------------------------------------------------|
|                                      | -----                           | -----            | -----                            | -----                                            |
| BALANCE - JANUARY 1, 2006            | 8,615,000                       | 948              | 20,258                           |                                                  |
| Private placement                    | 1,652,893                       | 165              | 41,092                           |                                                  |
| Net income for the year              | -                               | -                | -                                |                                                  |
|                                      | -----                           | -----            | -----                            | -----                                            |
| BALANCE - DECEMBER 31, 2006          | 10,267,893                      | 1,113            | 61,350                           |                                                  |
| Foreign currency translation reserve | -                               | -                | -                                |                                                  |
| Net income for the period            | -                               | -                | -                                |                                                  |
|                                      | -----                           | -----            | -----                            | -----                                            |
| BALANCE - JUNE 30, 2007              | 10,267,893                      | 1,113            | 61,350                           |                                                  |
|                                      | =====                           | =====            | =====                            | =====                                            |

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

|                                                                                   | SIX MONTH      |          | THREE MONTH |         |
|-----------------------------------------------------------------------------------|----------------|----------|-------------|---------|
|                                                                                   | ENDED JUNE 30, |          |             |         |
|                                                                                   | 2 0 0 7        | 2 0 0 6  | 2 0 0 7     | 2 0 0 6 |
|                                                                                   | NIS            |          |             |         |
|                                                                                   | (IN THOUSANDS) |          |             |         |
| CASH FLOWS - OPERATING ACTIVITIES                                                 |                |          |             |         |
| Net income                                                                        | 9,402          | 25,331   | 2,889       | 2,889   |
| ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: |                |          |             |         |
| Depreciation and amortization                                                     | 819            | 612      | 538         | 538     |
| Deferred income taxes                                                             | (69)           | 95       | 111         | 111     |
| Gain on disposition of fixed assets                                               | (9)            | -        | (9)         | (9)     |
| Unrealized gain on marketable securities                                          | (813)          | (376)    | (860)       | (860)   |
| Gain from IPO of subsidiary                                                       | -              | (19,113) | -           | -       |
| Minority interest                                                                 | 2,199          | 735      | 894         | 894     |
| CHANGES IN ASSETS AND LIABILITIES:                                                |                |          |             |         |
| Decrease (Increase) in:                                                           |                |          |             |         |
| Trade accounts receivable                                                         | (13,662)       | (729)    | 5,189       | 5,189   |
| Receivables and other current assets                                              | 512            | 2,278    | 2,998       | 2,998   |
| Inventory                                                                         | (3,950)        | 12,090   | 8,442       | 8,442   |
| Increase (Decrease) in:                                                           |                |          |             |         |
| Trade accounts payable                                                            | 12,460         | (1,888)  | (1,365)     | (1,365) |
| Payables and other current liabilities                                            | (2,491)        | 749      | 1,569       | 1,569   |
| warrants to issue shares of subsidiary                                            | (348)          | -        | -           | -       |
| Accrued severance pay, net                                                        | 53             | -        | 22          | 22      |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                         | 4,103          | 19,784   | 20,418      | 20,418  |

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

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

|                                                                            | SIX MONTH      |          | THREE MONTH |
|----------------------------------------------------------------------------|----------------|----------|-------------|
|                                                                            | ENDED JUNE 30, |          |             |
|                                                                            | 2 0 0 7        | 2 0 0 6  | 2 0 0 7     |
|                                                                            | NIS            |          |             |
|                                                                            | (IN THOUSANDS) |          |             |
| CASH FLOWS - INVESTING ACTIVITIES                                          |                |          |             |
| Proceeds from realization (purchase) of marketable securities, net         | (17,757)       | (2,914)  | (15,731)    |
| Purchase of subsidiary                                                     | (15,400)       | -        | (804)       |
| Additions to fixed assets                                                  | (9,068)        | (8,497)  | (1,787)     |
| Proceeds on disposition of fixed assets                                    | 9              | -        | 9           |
| NET CASH USED IN INVESTING ACTIVITIES                                      | (42,216)       | (11,411) | (18,313)    |
| CASH FLOWS - FINANCING ACTIVITIES                                          |                |          |             |
| Dividend                                                                   | -              | (4,754)  | -           |
| Short-term bank borrowings, net                                            | 6,374          | -        | 141         |
| Proceeds from public listing of subsidiary                                 | -              | 32,402   | -           |
| NET CASH PROVIDED BY FINANCING ACTIVITIES                                  | 6,374          | 27,648   | 141         |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS IN SUBSIDIARY |                |          |             |
|                                                                            | (218)          | -        | (66)        |
| Net change in cash and cash equivalents                                    | (31,957)       | 36,021   | 2,180       |
| Cash and cash equivalents at beginning of year                             | 91,398         | 30,431   | 57,261      |
| Cash and cash equivalents at end of year                                   | 59,441         | 66,452   | 59,441      |

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

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

### NOTE 1 - GENERAL

The unaudited Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2006 included in the Company's Annual Report on Form 20-F.

### NOTE 2 - DIFFERENCES BETWEEN ISRAELI AND U.S. GAAP

- A. In accordance with Israeli GAAP, the Company's financial statements are denominated through December 31, 2003 in adjusted amounts and as of January 1, 2004 in "reported amounts" (also see Note 2). Such accounting principle is considered a more meaningful presentation than financial reporting based on nominal historical cost. Accordingly, the Company is not required to eliminate the effect of historic price level changes in a reconciliation to U.S. GAAP.
- B. In accordance with U.S. GAAP, SFAS No. 115, changes in trading securities should be presented in the statement of cash flows as part of the operating activities. The following table provides a reconciliation of the Statements of Cash flows for the six and three month periods ended June 30, 2007 and June 30, 2006 in accordance with U.S. GAAP:

|                                                                      | SIX MONTH      |          | THREE MONTHS   |         | EN      |
|----------------------------------------------------------------------|----------------|----------|----------------|---------|---------|
|                                                                      | ENDED JUNE, 30 |          | ENDED JUNE, 30 |         |         |
|                                                                      | 2 0 0 7        | 2 0 0 6  | 2 0 0 7        | 2 0 0 6 | 2 0 0   |
|                                                                      | NIS            |          |                |         | US DOLL |
|                                                                      | (IN THOUSANDS) |          |                |         |         |
| Net cash provided by operating activities before adjustment          | 4,103          | 19,784   | 20,418         | 22,442  | 9       |
| Adjustment                                                           | (17,757)       | (2,914)  | (15,731)       | (2,890) | (4,1    |
| Net cash provided by (used in) operating activities after adjustment | (13,654)       | 16,870   | 4,687          | 19,552  | (3,2    |
| Net cash used in investing activities before adjustment              | (42,216)       | (11,411) | (18,313)       | (8,574) | (9,9    |
| Adjustment                                                           | 17,757         | 2,914    | 15,731         | 2,890   | 4,1     |
| Net cash used in investing activities before adjustment              | (24,459)       | (8,497)  | (2,582)        | (5,684) | (5,7    |

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



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

The Company is engaged in the design, import, marketing and distribution of a broad range of food products purchased from over 90 suppliers worldwide and marketed throughout Israel, and to a much lesser extent, the areas administered by the Palestinian Authority. The products imported by the Company are marketed in Israel and sold to over 1,000 customers, including supermarket chains in the organized market, private supermarket chains, mini-markets, wholesalers, manufacturers and institutional consumers. The Company was incorporated in Israel in January 1994 and commenced operations in February 1994.

Since the beginning of this year, the Company has taken steps to expand its business outside of Israel. In January 2007, the Company acquired the operations and assets of Laish Israeli Food Products Ltd., a U.S. importer and distributor of kosher food products, and in February 2007, we formed with the Baron family, kosher food exporters located in Israel, a joint global kosher trade and export company, of which we hold a 50.1% interest.

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

SIX MONTHS ENDED JUNE 30, 2007

#### SALES

Revenues for the six-month period ended June 30, 2007 increased 30% to NIS 127.2 million (US \$29.9 million) compared to revenues of NIS 97.7 million (US \$23.0 million) in the six-month period ended June 30, 2006. The increase in revenues was driven by the Company's international expansion and addition of new business units.

#### GROSS PROFIT

Gross profit for the six-month period ended June 30, 2007 increased 33% to NIS 34.2 million (US \$8.1 million), or 26.9% of sales, compared to gross profit of NIS 25.8 million (US \$6.1 million) for the six-month period ended June 30, 2006, or 26.4% of sales.

#### SELLING AND MARKETING EXPENSES

Sales and marketing expenses for the six-month period ended June 30, 2007 increased 41% to NIS 13.9 million (US \$3.3 million) compared to NIS 9.9 million (US \$2.3 million) in the six-month period ended June 30, 2006. The increase was mainly due to the consolidation of our new business units and due to one-time expenses related to the transition to the new logistics center.

#### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six-month period ended June 30, 2007 amounted to NIS 7.5 million (US \$1.8 million) compared to NIS 7.7 million (US \$1.8 million) in the six-month period ended June 30, 2006. General and administrative expenses remained stable due to the decrease in management bonus compared to first six-month of 2006, offset by an increase in expenses in 2007 due to our new business units.

#### OPERATING INCOME

Operating income for the six-month period ended June 30, 2007 increased 55% to NIS 12.8 million (US \$3.0 million) from NIS 8.3 million (US \$1.9 million) reported in the six-month period ended June 30, 2006.

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### FINANCIAL INCOME

Financial Income for the six-month period ended June 30, 2007 increased 71% to NIS 2.4 million (US \$0.6 million) compared to NIS 1.4 million (US \$0.3 million) in the six-month period ended June 30, 2006. The increase in financial income was mainly due to an increase in the profit from marketable securities.

### OTHER INCOME

Other Income for the six-month period ended June 30, 2007 amounted to NIS 9 thousand (US \$2 thousand) compared to of NIS 19 million (US \$4.5 million) in the six-month period ended June 30, 2006. The Other Income for the six-month period ended June 30, 2006 included an unrealized capital gain resulting from the commencement of the trading of shares of the Company's majority-owned subsidiary, Gold Frost Ltd., on London's AIM market on March 9, 2006.

### TAXES ON INCOME

Taxes on income for the six-month period ended June 30, 2007 amounted to NIS 3.5 million (US \$0.8 million) compared to NIS 2.7 million (US \$0.6 million) in the six-month period ended June 30, 2006.

### NET INCOME

Net income for the six-month period ended June 30, 2007 decreased 63% to NIS 9.4 million (US \$2.2 million), or 7.4% of sales, from NIS 25.3 million (US \$6.0 million), or 25.9% of sales, for the six-month period ended June 30, 2006.

### LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2007 cash and cash equivalents decreased from approximately NIS 91.4 million (US \$21.5 million) at December 31, 2006 to approximately NIS 59.4 million (US \$14.0 million) as of June 30, 2007.

For the six-month period ended June 30, 2007, the Company generated a positive cash flow from operating activities of approximately NIS 4.1 million (US \$1.0 million) compared to NIS 19.8 million (US \$4.7 million) in the six-month period ended June 30, 2006. This decrease was mainly due to increase in inventory of approximately NIS 4.0 million (US \$0.9 million) (compared to decrease in inventory of approximately NIS 12.1 million (US \$2.8 million) in the six-month period ended June 30, 2006).

During the six-month period ended June 30, 2007, the Company utilized a cash flow of NIS 42.2 million (US \$9.9 million) from investing activities (compared to NIS 11.4 million (US \$2.7 million) in the six-month period ended June 30, 2006), mainly from the purchase of marketable securities, net of NIS 17.8 million (US \$4.2 million) (compared to NIS 2.9 million (US \$0.7 million) in the six-month period ended June 30, 2006) and due to purchase of Laish Israeli Food Products Ltd. in the amount of NIS 15.4 million (US \$3.6 million).

During the six-month period ended June 30, 2007, the Company generated cash flow from financing activities of NIS 6.4 million (US \$1.5 million) mainly due to short term bank borrowing. During the six-month period ended June 30, 2006, the Company generated cash flow from financing activities of NIS 27.6 million (US \$6.5 million), which included the proceeds from the public listing of Goldfrost in the amount of NIS 32.4 million (US \$7.6 million) and a cash dividend in the amount of NIS 4.8 million (US \$1.1 million).

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THREE MONTHS ENDED JUNE 30, 2007

### SALES

Revenues for the three-month period ended June 30, 2007 increased 29% to NIS 55.8 million (US \$13.1 million) compared to revenues of NIS 43.2 million (US \$10.2 million) in the three-month period ended June 30, 2006. The increase in revenues was driven by the Company's international expansion and addition of new business units.

### GROSS PROFIT

Gross profit for the three-month period ended June 30, 2007 increased 18% to NIS 13.4 million (US \$3.2 million), or 24.1% of sales, compared to gross profit of NIS 11.4 million (US \$2.7 million) for the three-month period ended June 30, 2006, or 26.4% of sales. The global increase in the prices of raw food materials overall, and in particular goods related to milk and dairy products, had a negative impact on gross profit for the period.

### SELLING AND MARKETING EXPENSES

Sales and marketing expenses for the three-month period ended June 30, 2007 increased 55% to NIS 7.3 million (US \$1.7 million) compared to NIS 4.7 million (US \$1.1 million) in the three-month period ended June 30, 2006. The increase is mainly due to the consolidation of our new business units and due to one-time expenses related to the transition to the new logistics center.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three-month period ended June 30, 2007 amounted to NIS 3.4 million (US \$0.8 million) compared to NIS 2.9 million (US \$0.7 million) in the three-month period ended June 30, 2006. The increase was mainly due to the consolidation of our new business units.

### OPERATING INCOME

Operating income for the three-months period ended June 30, 2007 decreased 30% to NIS 2.7 million (US \$0.6 million) from NIS 3.8 million (US \$0.9 million) reported in the three-month period ended June 30, 2006.

### FINANCIAL INCOME

Financial Income for the three-month period ended June 30, 2007 increased 93% to NIS 1.5 million (US \$0.3 million) compared to NIS 0.8 million (US \$0.2 million) in the three-month period ended June 30, 2006. The increase in financial income was mainly due to an increase in the profit from marketable securities

### TAXES ON INCOME

Taxes on income for the three-month period ended June 30, 2007 amounted to NIS 0.4 million (US \$0.1 million) compared to NIS 1.2 million (US \$0.3 million) in the three-month period ended June 30, 2006.

### NET INCOME

Net income for the three-month period ended June 30, 2007 increased 10% to NIS 2.9 million (US \$0.7 million), or 5.2% of sales, from NIS 2.6 million (US \$0.6

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million), or 6% of sales, for the three-month period ended June 30, 2006.

### LIQUIDITY AND CAPITAL RESOURCES

For the three-month period ended June 30, 2007, the Company generated a positive cash flow from operating activities of approximately NIS 20.4 million (US \$4.8 million) compared to NIS 22.4 million (US \$5.3 million) in the three-month period ended June 30, 2006. The decrease was mainly due to a decrease in inventory of approximately NIS 8.4 million (US \$2.0 million) (compared to decrease in inventory of approximately NIS 16.0 million (US \$3.8 million) in the three-month period ended June 30, 2006), offset by a decrease in trade accounts receivables of approximately NIS 5.2 million (US \$1.2 million) (compared to decrease in trade accounts receivables of approximately NIS 3.0 million (US \$0.7 million) in the three-month period ended June 30, 2006) and by a decrease in trade accounts payables of approximately NIS 1.4 million (US \$0.3 million) (compared to decrease in trade accounts payables of approximately NIS 3.3 million (US \$0.8 million) in the three-month period ended June 30, 2006).

During the three-month period ended June 30, 2007, the Company utilized a cash flow of NIS 18.3 million (US \$4.3 million) from investing activities (compared to NIS 8.6 million (US \$2.0 million) in the three-month period ended June 30, 2006), mainly from purchase of marketable securities, net of NIS 15.7 million (US \$3.7 million) (compared to NIS 2.9 million (US \$0.7 million) in the three-month period ended June 30, 2006), offset by lower investment in fixed assets from NIS 5.7 million (US \$1.3 million) in the three-month period ended June 30, 2006 to NIS 1.8 million (US \$0.4 million) in the three-month period ended June 30, 2007.