



Somekh Chaikin  
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To:  
Maabarot Products Ltd  
Kibbutz Maabarot

Dear Sirs,

Subject: Translation of the consolidated interim financial statements of Maabarot Products Ltd ("The Company")

At your request and as the auditors of the Company, we hereby report that the condensed consolidated interim statements of financial position as of September 30, 2016 and the related condensed consolidated interim statements of income and cash flows for the nine month period then ended, which are attached and stamped by our office for identification purposes, are an English translation and a convenience translation to U.S. dollars, translated at the representative exchange rate on September 30, 2016 (\$1= NIS 3.758) of the primary consolidated interim financial statements without notes from the consolidated interim financial statements which were published by the Company at the Israeli Stock Exchange on November 29, 2016.

*Somekh Chaikin*  
Somekh Chaikin

Certified Public Accountants (Isr.)

December 1, 2016

**Condensed Consolidated Interim Statements of Financial Position as at**

	September 30, 2016 <u>(Unaudited)</u> <u>USD thousands</u>	September 30, 2015 <u>(Unaudited)</u> <u>USD thousands</u>	December 31, 2015 <u>(Audited)</u> <u>USD thousands</u>
<b>Assets</b>			
Cash and cash equivalents	17,642	15,578	14,953
Investments in trading securities	21,656	26,416	26,611
Short-term deposit	5,333	-	-
Trade receivables	28,505	27,283	28,306
Other receivables	4,657	5,740	5,897
Inventory	13,491	15,004	13,395
Current tax assets	1,472	957	1,271
<b>Total current assets</b>	<u>92,756</u>	<u>90,978</u>	<u>90,433</u>
Asset for employee benefits	81	98	98
Fixed assets, net	8,300	8,726	8,789
Intangible assets, net	20,874	20,887	21,116
Financial asset- PUT options	8,781	10,724	9,846
Deferred tax assets	464	711	613
Long term prepaid expenses and other receivables	136	171	144
Investments in equity accounted investees	5,735	5,744	8,309
Available for sale investments	2,765	2,739	2,490
<b>Total non-current assets</b>	<u>47,136</u>	<u>49,800</u>	<u>51,405</u>
<b>Total assets</b>	<u>139,892</u>	<u>140,778</u>	<u>141,838</u>



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DATE: 01/10/2016

**Condensed Consolidated Interim Statements of Financial Position as at**

	September 31, 2016 <u>(Unaudited)</u> USD thousands	September 31, 2015 <u>(Unaudited)</u> USD thousands	December 31, 2015 <u>(Audited)</u> USD thousands
<b>Liabilities</b>			
Bank loans and borrowings	3,490	4,743	4,966
Trade payables	13,413	14,238	13,014
Other current payables	5,384	4,970	5,592
Current tax liabilities	528	106	273
Liabilities to PUT option holder	5,878	7,542	7,196
Kibbutz Maabarot – related party	637	502	687
<b>Total current liabilities</b>	<u>29,330</u>	<u>32,101</u>	<u>31,728</u>
Employee benefits	98	101	110
Other long term liabilities	192	108	310
Financial liabilities – PUT options	231	-	225
Financial liabilities – CALL options	4,603	3,619	4,391
Deferred tax liabilities	2,424	3,152	2,718
<b>Total non-current liabilities</b>	<u>7,548</u>	<u>6,980</u>	<u>7,754</u>
<b>Total liabilities</b>	<u>36,878</u>	<u>39,081</u>	<u>39,482</u>
<b>Equity</b>			
<b>Non-controlling interests</b>	235	(331)	197
Share capital	4,019	4,019	4,019
Capital Reserves	31,257	32,140	30,863
Retained earnings	67,503	65,869	67,277
<b>Total equity attributable to owners of the Company</b>	<u>102,779</u>	<u>102,028</u>	<u>102,159</u>
<b>Total equity</b>	<u>103,014</u>	<u>101,697</u>	<u>102,356</u>
<b>Total liabilities and equity</b>	<u>139,892</u>	<u>140,778</u>	<u>141,838</u>

Eyal Shalmon  
Chairman of the Board of  
Directors

Danny Taragan  
CEO

Yariv Grinberg  
CFO

Date of approval of the financial statements: November 29, 2016

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**Condensed Consolidated Interim Statements of Income**

	For the nine months ended September 30		For the year ended on December 31,
	2016	2015	2015
	(Unaudited) USD thousands	(Unaudited) USD thousands	(Audited) USD thousands
Revenues	68,155	66,370	91,103
Cost of sales	39,647	38,380	52,791
<b>Gross profit</b>	<b>28,508</b>	<b>27,990</b>	<b>38,312</b>
Research and development expenses	294	198	273
Selling and marketing expenses	15,868	17,586	23,560
General and administrative expenses	7,988	7,358	10,254
<b>Operating profit before other expenses and income</b>	<b>4,358</b>	<b>2,848</b>	<b>4,225</b>
Other expenses	(50)	(1)	(228)
Other income	51	52	78
<b>Operating profit</b>	<b>4,359</b>	<b>2,899</b>	<b>4,075</b>
Financing income	625	233	919
Financing expenses due to PUT and CALL options	(1,857)	*(2,165)	*(4,046)
Financing expenses	(594)	*(1,767)	*(2,321)
<b>Financing expenses, net</b>	<b>(1,826)</b>	<b>(3,699)</b>	<b>(5,448)</b>
<b>Earnings (loss) after financing income (expenses), net</b>	<b>2,533</b>	<b>(800)</b>	<b>(1,373)</b>
Share in profit of equity accounted investees	5,656	5,676	8,242
<b>Profit before taxes on income</b>	<b>8,189</b>	<b>4,876</b>	<b>6,869</b>
Taxes on income	(2,402)	(2,241)	(2,969)
<b>Profit for the period</b>	<b>5,787</b>	<b>2,635</b>	<b>3,900</b>
<b>Attributable to:</b>			
Owners of the Company	5,628	2,809	4,217
Non-controlling interests	159	(174)	(317)
<b>Profit for the period</b>	<b>5,787</b>	<b>2,635</b>	<b>3,900</b>
<b>Basic and diluted earnings per share</b>	<b>0.57</b>	<b>0.29</b>	<b>0.43</b>

\*Reclassified

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**Condensed Consolidated Interim Statements of Cash Flows**

	For the nine months ended September 30		For the year ended on December 31,
	2016	2015	2015
	<u>(Unaudited)</u> USD thousands	<u>(Unaudited)</u> USD thousands	<u>(Audited)</u> USD thousands
<b>Cash flows from operating activities</b>			
Profit for the period	5,787	2,635	3,900
Adjustments for:			
Depreciation	1,332	1,419	1,876
Amortization of intangible assets	414	487	673
Impairment losses on available for sale investments	238	73	72
Net financing expense	1,200	1,826	3,275
Gain on sale of fixed assets	(46)	(60)	(74)
Loss (gain) on trading securities	192	(50)	382
Share in profit of equity accounted investees	(5,656)	(5,676)	(8,242)
Income tax expense	2,402	2,241	2,969
Change in inventory	(107)	1,702	3,507
Change in trade and other receivables	1,158	2,615	1,176
Change in prepaid expenses	(134)	(229)	245
Change in trade and other payables	329	125	(1,093)
Change in Kibbutz Maabarot account	(50)	(197)	(12)
Change in provisions and employee benefits	10	17	8
Income taxes paid	(2,540)	(2,355)	(3,544)
<b>Net cash from operating activities</b>	<b>4,529</b>	<b>4,573</b>	<b>5,118</b>
<b>Cash flows from investing activities</b>			
Interest received	562	606	733
Dividends received	8,244	6,809	6,819
Acquisition of trading securities, net	4,763	(751)	(1,378)
Proceeds from sale of fixed assets	98	190	214
Acquisition of fixed assets	(914)	(749)	(1,107)
Acquisition of intangible assets	(325)	(99)	(168)
Acquisition of subsidiaries, net of cash received	-	-	(448)
Short-term deposit	(5,322)	-	-
Acquisition of available-for-sale investments	(195)	-	-
Proceeds from sale of available-for-sale investments	-	489	489
<b>Net cash from investing activities</b>	<b>6,911</b>	<b>6,495</b>	<b>5,154</b>



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Maabarot Products Ltd. and its subsidiaries

**Condensed Consolidated Interim Statements of Cash Flows (cont'd)**

	For the nine months ended September 30		For the year ended on December 31,
	2016	2015	2015
	<u>(Unaudited)</u> USD thousands	<u>(Unaudited)</u> USD thousands	<u>(Audited)</u> USD thousands
<b>Cash flows from financing activities</b>			
Long-term bank loans received	-	1,132	1,132
Repayment of long-term bank loans	(1,568)	(1,237)	(1,237)
Realization of PUT option	(1,046)	-	-
Repayment of other long term liabilities	(114)	(25)	(27)
Long term liabilities received	-	36	114
Short term bank credit and loans, net	232	(272)	(62)
Dividend paid to PUT option holder	(691)	(383)	(383)
Dividends paid	(5,402)	(3,060)	(3,060)
Interest paid	(161)	(289)	(408)
<b>Net cash used in financing activities</b>	<u>(8,750)</u>	<u>(4,098)</u>	<u>(3,931)</u>
<b>Net increase in cash and cash equivalents</b>	2,690	6,970	6,341
Cash and cash equivalents as at the beginning of the period	14,953	8,620	8,620
Effect of exchange rate fluctuations on cash and cash equivalents	(1)	(12)	(8)
<b>Cash and cash equivalents as at the end of the period</b>	<u>17,642</u>	<u>15,578</u>	<u>14,953</u>



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