

MIRA INFORM REPORT

| | |
|----------------------|------------|
| Report No. : | 545541 |
| Report Date : | 21.12.2018 |

IDENTIFICATION DETAILS

| | |
|--------------------------------|--|
| Name : | HAMAMA MEIR TRADING (1996) LTD. |
| Registered Office : | 30 Sheshet Hayamim Street Champion Tower Bnei Brak 5120261 |
| Country : | Israel |
| Financials (as on) : | 30.09.2018 |
| Date of Incorporation : | 20.11.1996 |
| Legal Form : | Private limited company |
| Line of Business : | Traders, importers, exporters, marketers and distributors in dried foodstuff, mostly commodities, including cereals, dried fruits, nuts, rice, legumes, sesame, coffee, spices Also importers of row materials for animal feed. |
| No. of Employees : | 54 (2017) |

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating : A

| Credit Rating | Explanation | Rating Comments |
|---------------|-----------------|---|
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |

| | |
|----------------------------|------------------|
| Status : | Satisfactory |
| Payment Behaviour : | Slow but Correct |
| Litigation : | Clear |

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

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ECGC Country Risk Classification List

| Country Name | Previous Rating (30.06.2018) | Current Rating (30.09.2018) |
|--------------|---------------------------------|--------------------------------|
| Israel | B1 | B1 |

| Risk Category | ECGC Classification |
|----------------------|---------------------|
| Insignificant | A1 |
| Low Risk | A2 |
| Moderately Low Risk | B1 |
| Moderate Risk | B2 |
| Moderately High Risk | C1 |
| High Risk | C2 |
| Very High Risk | D |

ISRAEL - ECONOMIC OVERVIEW

Israel has a technologically advanced free market economy. Cut diamonds, high-technology equipment, and pharmaceuticals are among its leading exports. Its major imports include crude oil, grains, raw materials, and military equipment. Israel usually posts sizable trade deficits, which are offset by tourism and other service exports, as well as significant foreign investment inflows.

Between 2004 and 2013, growth averaged nearly 5% per year, led by exports. The global financial crisis of 2008-09 spurred a brief recession in Israel, but the country entered the crisis with solid fundamentals, following years of prudent fiscal policy and a resilient banking sector. Israel's economy also weathered the 2011 Arab Spring because strong trade ties outside the Middle East insulated the economy from spillover effects.

Slowing domestic and international demand and decreased investment resulting from Israel's uncertain security situation reduced GDP growth to an average of roughly 2.8% per year during the period 2014-17. Natural gas fields discovered off Israel's coast since 2009 have brightened Israel's energy security outlook. The Tamar and Leviathan fields were some of the world's largest offshore natural gas finds in the last decade. Political and regulatory issues have delayed the development of the massive Leviathan field, but production from Tamar provided a 0.8% boost to Israel's GDP in 2013 and a 0.3% boost in 2014. One of the most carbon intense OECD countries, Israel generates about 57% of its power from coal and only 2.6% from renewable sources.

Income inequality and high housing and commodity prices continue to be a concern for many Israelis. Israel's income inequality and poverty rates are among the highest of OECD countries, and there is a broad perception among the public that a small number of "tycoons" have a cartel-like grip over the major parts of the economy. Government officials have called for reforms to boost the housing supply and to increase competition in the banking sector to address these public grievances. Despite calls for reforms, the restricted housing supply continues to impact younger Israelis seeking to purchase homes. Tariffs and non-tariff barriers, coupled with guaranteed prices and customs tariffs for farmers kept food prices high in 2016. Private consumption is expected to drive growth through 2018, with consumers benefitting from low inflation and a strong currency.

In the long term, Israel faces structural issues including low labor participation rates for its fastest growing social segments - the ultraorthodox and Arab-Israeli communities. Also, Israel's progressive, globally competitive, knowledge-based technology sector employs only about 8% of the workforce, with the rest mostly employed in manufacturing and services - sectors which face downward wage pressures from global competition. Expenditures on educational institutions remain low compared to most other OECD countries with similar GDP per capita.

Source : CIA

COMPANY NAME AND ADDRESS

HAMAMA MEIR TRADING (1996) LTD.
(Also HAMAMA MEIR TRADE (1996) LTD.)
Telephone 972 3 519 55 55
Fax 972 3 510 70 10
Email: info@hamama.biz
30 Sheshet Hayamim Street
Champion Tower
BNEI BRAK 5120261 ISRAEL

HISTORY & LEGAL FORMATION

A private limited company, incorporated as per file No. 51-239801-7 on the 20.11.1996.
Subject was incorporated in view of continuing the trade in food activities of HAMAMA BROS. & CO. LTD., owned and founded by Hamama family in 1951 (incorporated in 1972), which turned into a real estate holding company.

In May 2007 published a prospectus offering shares to the public through the Tel Aviv Stock Exchange, following which subject converted into a public limited company and its shares started trading on 07.06.2007 (keeping same registration number).

SHARE CAPITAL

Authorized share capital NIS 40,000,000.00, divided into -
40,000,000 ordinary shares of NIS 1.00 each,
of which 14,369,117 shares amounting to NIS 14,369,117.00 were issued.

SHAREHOLDERS

1. Eliyahu Hamama, 55.17%,
2. Meir Hamama, 9.55%,
3. Josef Hamama, 7.32%,
4. Institutional investors THE PHOENIX (7.1%) and PSAGOT (5.3%),
5. Shares are also traded on the Tel Aviv Stock Exchange (TASE).

DIRECTORS

1. Zvika Amit, Chairman,
2. Eliyahu (Eli) Hamama, General Manager,
3. Yehonatan Shamir,
4. Ms. Sigal Projansky,
5. Avi Diamant.

BUSINESS

Traders, importers, exporters, marketers and distributors in dried foodstuff, mostly commodities, including cereals, dried fruits, nuts, rice, legumes, sesame, coffee, spices, etc.

Also importers of raw materials for animal feed.

Selling some 50 families of products, imported from different countries.

In 2017, 90.5% of sales were sold to clients in Israel, 7.9% to the Palestinian market, and the rest for export.

Subject has some 450 customers, mostly in Israel, divided into 4 sectors: most (89.2%) of the local clients are from the Commercial market: mostly to wholesalers, supermarket chains, packing and roasting houses, as well as food manufacturers and retailers. 1.3% is sold to the institutional market.

Purchasing (of finished goods, no raw materials) are both locally and from abroad, with 150 suppliers, mainly from Ethiopia, Turkey, North America, Argentina, Far East (India, Thailand, China). Among suppliers: AS PISTACHIOS. Among local suppliers are corn growers, etc.

Operating from rented offices premises, on an area of 737 sq. meters, in 30 Sheshet Hayamim Street, Champion Tower, Bnei Brak, from logistics center in Kiryat Gat (owned by sister company), on an area of 15,720 sq. meters (8,500 sq. meters are built), as well as using storage facilities throughout Israel according to need.

Website: www.hamama.biz

Having 54 employees as of end of 2017 (had 60 employees in the end of 2016).

Note: current number of employees expected to be updated with the publication of subject's 2018 financial statements by the end of March 2019.

FINANCIAL

MEANS

B/S shows:

| <u>NIS (thousands)</u> | |
|------------------------|-------------------|
| <u>31.12.2017</u> | <u>30.09.2018</u> |

ASSETS

Current assets:

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HAMAMA MEIR TRADING (1996) LTD. - 545541

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| | | |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 1,808 | 883 |
| Customers | 103,257 | 99,285 |
| Other debtors and assets | 2,079 | 1,711 |
| Stock | <u>140,837</u> | <u>130,489</u> |
| | <u>247,981</u> | <u>232,368</u> |
| Non-current assets: | | |
| Customers | 1,175 | 1,561 |
| Fixed assets, net7,445 | 6,239 | |
| Other non-current assets | <u>3,314</u> | <u>1,670</u> |
| | <u>11,934</u> | <u>9,470</u> |
| | <u>259,915</u> | <u>241,838</u> |
| | ===== | ===== |
| LIABILITIES | | |
| Current liabilities | 152,984 | 151,535 |
| Non-current liabilities | 26,699 | 16,726 |
| Equity | <u>80,232</u> | <u>73,577</u> |
| | <u>259,915</u> | <u>241,838</u> |
| | ===== | ===== |

Current market value US\$ 11.3 million.

In 2007 subject made a public offering of its shares and bonds, raising a gross proceeds of NIS 91.5 million. In July 2013 subject raised NIS 81 million issuing bonds on the TASE.

As 30.09.2018 subject has current credit lines in total volume of NIS 160 million, of which NIS 113 million utilized.

There are 8 charges for unlimited amounts registered on the company's assets in favor of Bank Leumi Le'Israel Ltd., The First international Bank of Israel Ltd., and Mizrahi Tefahot Bank Ltd.

REVENUES

| | <u>Statement of Income</u> | | |
|-------------------------|----------------------------|----------------|----------------|
| | <u>NIS (thousands)</u> | | |
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Sales | 484,562 | 452,269 | 375,083 |
| Gross profit | 6,652 | 20,922 | 20,778 |
| Operating income (loss) | (10,947) | 3,379 | 4,893 |
| Pre-tax income (loss) | (18,616) | (2,747) | (1,262) |
| Net income (loss) | <u>(15,202)</u> | <u>(4,481)</u> | <u>(1,393)</u> |
| | ===== | ===== | ===== |

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Revenues for the first 3 quarters of 2018 were NIS 253,641,000 (12% decrease compared to parallel period in 2017), making a gross profit of NIS 11,150,000, an operating loss of NIS 49,000, and a net loss of NIS 6,911,000.

OTHER COMPANIES

Subject has non-active wholly-owned subsidiaries, which participate in the Ministry of Agriculture tenders for receiving import licenses:

FOOD-TRONICS LTD., A.A. SHIBOLET LTD., GRICIA LTD., SHAKED HAKESEM LTD., BOTEN HAMAHATZ LTD., MAZON SAME'ACH LTD., TE'ENAT CAN'AN LTD.

Other companies owned by Hamama family:

TENE NEGEV LTD., marketers and exporters of peanuts,
HAMAMA MEIR DEVELOPMENT AND INVESTMENTS CO. (1991) LTD.,
HAMAMIT LTD.,
TENE PEANUTS LTD.,
TENE PEANUTS 91 SORTING AND MARKETING LTD.
HAMAMA BROTHERS & CO. LTD., real estate,
MILGAD LTD.,
HAMAMA TENE HAI PEANUTS 1997 LTD.,
POLIVA LTD., 12%, traders, importers and marketers of raw materials and substances for bakeries.
S. HAMAMA HOLDINGS INDUSTRY & HI-TECH LTD.

BANKERS

Bank Leumi Le'Israel Ltd., Principal Branch Tel Aviv (No. 800), Tel Aviv.
Union Bank of Israel Ltd., Main Branch (No. 63), Tel Aviv.

CHARACTER AND REPUTATION

In January 2011 subject received a claim that it violated a lease agreement and is seued for NIS 3.8 million. In September 2012 matter ended in a comprmise, in which subject will pay NIS 160,000 and all claimes will be dropped.

In April 2014 subject's storage facilities in Kiryat Gat did not meet the Ministry of health regulations. The Ministry of Health revoked subject's storage for a month until these defaults were taken care of. In May 2014 subject reported that the appropriate mesures were taken and the facility received a storage permit. Subject invested some NIS 1 million these mesures.

Subject is currently in dispute with the Kiryat Gat municipality regarding a NIS 5.5 million municipal tax demand.

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Nothing unfavorable learned apart from the above.

Subject is veteran, one of the two leading companies in their field in the local market, with an estimated market share of 15%-20% in 2017 (similar to previous years). The company is ISO 9000 certified and meets other quality standards.

In 2000, HAMAMA Group sold all activities of MILOUMOR OIL INDUSTRIES (1992) LTD., processors of oil, to SHEMEN Group, for US\$ 10 million.

In 2006 subject sold its rights in a plot in Kiryat Gat, including the structures, to a third party in consideration of NIS 20.78 million.

According to Ministry of Agriculture data from 2009, 3,600 tons of pistachio and 3,100 tons of almonds are imported to Israel each year.

The whole local nuts/almonds and dried fruits market rolls some NIS 600 million annually. Most of it arrives from import from Turkey, China, USA, Far East countries and South Africa.

According to survey from 2013, the local food market, manufacturing, import and trade, rolls NIS 80 billion per annum. There are some 1,700 food plants in Israel (some also import) and hundreds of importers in the food, beverage and consumer products, supplying raw materials and finished goods to the food market.

According to StoreNext Market Research survey (based on circa 80% of the sales in the local FMCG bar-coded market), in 2017 the FMCG market summed up to NIS 41.6 billion, with 1.5% increase in sales in terms of price, sided by a 0.9% increase in real terms (the prices index rose by 0.6%). That comes after a freeze in 2016 from 2015 and mild increases in sales in 2015 and 2014, compared to the previous year.

Food products sales in 2017 witnessed 1.9% rise in money terms from 2016 and totaled NIS 31.2 billion (after 0.8% decrease in 2016), beverages sales rose by mere 0.3% summing at NIS 4.5 billion (rose 1.5% in 2016).

2017 data in the food and beverages alone, points on 1.7% rise sales from 2016, to total of NIS 35.7 billion, though estimated to be most from price rise, not quantity, taking into account the population growth, so in practice point on stagnation in the market.

Sales for exports by the food products & beverages industries rose by 9.7% in 2017 from 2016, summing at US\$ 1,052 million, after in 2016 export fell by circa 3% from 2015 and plunged by circa 10% in 2015 from 2014.

Export in the first 5 months of 2018 marked 3% rise compared to the parallel period in 2017, reaching US\$ 462.6 million.

According to Central Bureau of Statistics (CBS), import of food and beverages to Israel in 2017 reached NIS 9,501.2 million, 4.6% rise from 2016 (11.6% rise in US\$ currency terms), continuing the upward steady growth trend in last years (including by 9.1% & 8.3% in 2016 and 2015, respectively from the previous year, in NIS terms).

Import of food and beverages marked 4% increase (NIS terms) in the first 5 months of 2018, compared to the parallel period in 2017 (9% in \$ terms).

From the CBS National Accounts for 2017, it turns that current expenditure by local households on Food, Beverage & Tobacco grew by 27% from 2016, compared to growth rates of 4.6% in 2016, and 3.6% in 2015 and in 2014).

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SUMMARY

Notwithstanding the losses, considered good for trade engagements.

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FOREIGN EXCHANGE RATES

| Currency | Unit | Indian Rupees |
|-----------|------|---------------|
| US Dollar | 1 | INR 70.28 |
| UK Pound | 1 | INR 88.85 |
| Euro | 1 | INR 80.05 |
| ILS | 1 | INR 18.61 |

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

| | |
|----------------------|------|
| Analysis Done by : | VIVR |
| Report Prepared by : | TRU |

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RATING EXPLANATIONS

| Credit Rating | Explanation | Rating Comments |
|---------------|------------------|--|
| A++ | Minimum Risk | Business dealings permissible with minimum risk of default |
| A+ | Low Risk | Business dealings permissible with low risk of default |
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |
| B | Medium Risk | Business dealings permissible on a regular monitoring basis |
| C | Medium High Risk | Business dealings permissible preferably on secured basis |
| D | High Risk | Business dealing not recommended or on secured terms only |
| NB | New Business | No recommendation can be done due to business in infancy stage |
| NT | No Trace | No recommendation can be done as the business is not traceable |

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)