

**Tempo Beverages Ltd.
and its Subsidiaries**

**Condensed Consolidated Interim
Financial Statements**

For the period ended June 30, 2019

**Condensed Consolidated Interim Financial Statements
For the Period Ended June 30, 2019 (Unaudited)**

Contents

	<u>Page</u>
Condensed Consolidated Interim Statement of Financial Position	2-3
Condensed Consolidated Interim Income Statement	4
Condensed Consolidated Interim Statement of Comprehensive Income	5
Condensed Consolidated Interim Statement of Changes in Equity	6-7
Condensed Consolidated Interim Statement of Cash Flows	8
Condensed Consolidated Interim Segment Reporting	9-11

Condensed Consolidated Interim Statement of Financial Position(In Thousands of New Israeli Shekels)
Reported Amounts

	June 30 2019	June 30 2018	December 31 2018
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Current assets			
Cash and cash equivalents	23,651	16,743	15,674
Trade receivables	387,117	345,210	322,507
Other receivables	71,827	56,117	42,713
Derivatives		940	1,344
Inventory	263,341	275,079	311,783
Current tax	17,886	1,274	11,095
Total current assets	763,822	695,363	705,116
Investments and long-term receivables			
Long-term loans, receivables and derivatives	35,532	45,890	34,585
Fixed assets	774,174	637,178	647,692
Intangible assets	31,496	34,460	32,377
Investments in equity accounted investees	34,384	6,634	34,849
Inventory in process	3,600	6,650	4,624
Deferred tax	7,469	10,766	9,868
Total non-current assets	886,655	741,578	763,995
Total assets	1,650,477	1,436,941	1,469,111

Condensed Consolidated Interim Statement of Financial Position (cont'd)(In Thousands of New Israeli Shekels)
Reported Amounts

	June 30 2019 <u>(Unaudited)</u>	June 30 2018 <u>(Unaudited)</u>	December 31 2018 <u>(Audited)</u>
Current liabilities			
Credit from banks and current maturities	408,479	314,948	359,263
Trade payables	225,877	251,138	217,244
Other payables	123,876	111,119	103,542
Derivative	1,124	414	-
Current maturities of debentures	23,412	23,634	23,634
Current taxes liabilities	1,432	2,363	1,526
Current maturities of leases	27,721	-	-
Total current liabilities	811,921	703,616	705,209
Long-term liabilities			
Loan from banks	92,896	115,605	104,202
Other long-term liabilities and derivatives	2,827	2,885	2,860
Debentures	55,522	78,475	67,435
Deferred tax liabilities	24,785	28,829	27,715
Employee benefits	6,565	6,901	8,785
Long term liabilities of leases	105,847	-	-
Total long-term liabilities	288,442	232,695	210,997
Total liabilities	1,100,363	936,311	916,206
Equity			
Minority interest	625	638	617
Share capital	1	1	1
Share premium	147,334	147,334	147,334
Translation reserve	(100)	1,693	2,177
Retained earnings	402,254	350,964	402,776
Total equity attributable to equity holders of the parent company	549,489	499,992	552,288
Total equity	550,114	500,630	552,905
Total liabilities and equity	1,650,477	1,436,941	1,469,111

Jacques Beer
Chairman of the Board
and CEO

Amir Burenstein
Deputy chairman of the Board

Eyal Tregerman
CFO

Date financial statements confirmed: August 29, 2019.

Condensed Consolidated Interim Income Statement(In Thousands of New Israeli Shekels)
Reported Amounts

	For the six months ended		For the three months ended		For the
	June 30		June 30		year ended
	2019	2018	2019	2018	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues from sales, net	711,295	667,537	382,725	332,949	1,403,176
Cost of sales	446,205	403,955	234,317	200,165	857,913
Gross profit	265,090	263,582	148,408	132,784	545,263
Selling and marketing expenses	(170,693)	(168,783)	(89,966)	(86,139)	(343,978)
General and administrative expenses	(40,700)	(40,855)	(22,228)	(20,014)	(85,306)
Other income	539	-	210	-	1,263
Other expenses	(44)	(1,781)	(41)	(608)	(615)
Operating profit	54,192	52,163	36,383	26,023	116,627
Financing income	2,155	3,274	414	1,547	4,164
Financing expenses	(12,621)	(7,718)	(5,507)	(4,349)	(14,272)
Financing expenses, net	(10,466)	(4,444)	(5,093)	(2,802)	(10,108)
Share of profits of equity accounted investees	1,729	1,996	901	1,176	3,662
Profit before tax	45,455	49,715	32,191	24,397	110,181
Tax on income	(10,895)	(13,711)	(7,741)	(6,500)	(22,462)
Profit for the period	34,560	36,004	24,450	17,897	87,719
Attributable to:					
Equity holders of the Company	34,552	36,007	24,445	17,918	87,743
Minority interests	8	(3)	5	(21)	(24)
	34,560	36,004	24,450	17,897	87,719

Condensed Consolidated Interim Statement of comprehensive Income(In Thousands of New Israeli Shekels)
Reported Amounts

	For the six months ended		For the three months ended		For the
	June 30		June 30		year ended
	2019	2018	2019	2018	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2018
					(Audited)
Profit for the period	34,560	36,004	24,450	17,897	87,719
Other comprehensive income items that after initial recognition in comprehensive income will be transferred to profit or loss					
Foreign currency translation differences of foreign operations	(2,277)	779	(52)	(638)	1,263
Components of recognized income never carried to profit or loss					
Defined benefit plan actuarial profit (losses)	(74)	(198)	18	(203)	(122)
Other recognized income and expense for the period	(2,331)	581	(34)	(841)	1,141
Total comprehensive income and expense for the period	32,209	36,585	24,416	17,056	88,860
Attributable to:					
Equity holders of the Company	32,201	36,588	24,411	17,077	88,884
Minority interests	8	(3)	5	(21)	(24)
Total recognized income and expense for the period	32,209	36,585	24,416	17,056	88,860

Condensed Consolidated Interim Statement of Changes in Equity(In Thousands of New Israeli Shekels)
Reported Amounts

	Attributable to Owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings	Total		
For the six months ended June 30, 2019 (unaudited)							
Balance as at January 1, 2019	1	147,334	2,177	402,776	552,288	617	552,905
Distributed dividend	-	-	-	(35,000)	(35,000)	-	(35,000)
Actuarial losses from defined benefit plan	-	-	-	(74)	(74)	-	(74)
Foreign currency translation differences of foreign operations	-	-	(2,277)	-	(2,277)	-	(2,277)
Profit for the period	-	-	-	34,552	34,552	8	34,560
Balance as at June 30, 2019	1	147,334	(100)	402,254	549,489	625	550,114
For the six months ended June 30, 2018 (unaudited)							
Balance as at January 1, 2018	1	147,334	914	351,155	499,404	641	500,045
Distributed dividend	-	-	-	(36,000)	(36,000)	-	(36,000)
Actuarial losses from defined benefit plan	-	-	-	(198)	(198)	-	(198)
Foreign currency translation differences of foreign operations	-	-	779	-	779	-	779
Profit for the period	-	-	-	36,007	36,007	(3)	36,004
Balance as at June 30, 2018	1	147,334	1,693	350,964	499,992	638	500,630

Condensed Consolidated Interim Statement of Changes in Equity (cont'd)(In Thousands of New Israeli Shekels)
Reported Amounts

	Attributable to Owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings	Total		
For the three months ended June 30, 2019 (unaudited)							
Balance as at April 1, 2019	1	147,334	(48)	377,791	525,078	620	525,698
Actuarial gains from defined benefit plan	-	-	-	18	18	-	18
Foreign currency translation differences of foreign operations	-	-	(52)	-	(52)	-	(52)
Profit for the period	-	-	-	24,445	24,445	5	24,450
Balance as at June 30, 2019	1	147,334	(100)	402,254	549,489	625	550,114
For the three months ended June 30, 2018 (unaudited)							
Balance as at April 1, 2018	1	147,334	2,331	333,249	482,915	659	483,574
Actuarial losses from defined benefit plan	-	-	-	(203)	(203)	-	(203)
Foreign currency translation differences of foreign operations	-	-	(638)	-	(638)	-	(638)
Profit for the period	-	-	-	17,918	17,918	(21)	17,897
Balance as at June 30, 2018	1	147,334	1,693	350,964	499,992	638	500,630
For the year ended December 31, 2018 (audited)							
Balance at January 1, 2018	1	147,334	914	351,155	499,404	641	500,045
Dividend to owners	-	-	-	(36,000)	(36,000)	-	(36,000)
Foreign currency translation differences of foreign operations	-	-	1,263	-	1,263	-	1,263
Defined benefit plan actuarial losses	-	-	-	(122)	(122)	-	(122)
Profit for the year	-	-	-	87,743	87,743	(24)	87,719
Balance at December 31, 2018	1	147,334	2,177	402,776	552,288	617	552,905

Condensed Consolidated Interim Statement of Cash Flows(In Thousands of New Israeli Shekels)
Reported Amounts

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities					
Profit for the period	34,560	36,004	24,450	17,897	87,719
Adjustments:					
Depreciation and amortization	58,043	43,594	30,047	21,954	94,136
Depreciation of intangible assets	3,835	4,708	1,940	2,293	8,949
Share of profits of equity accounted investees	(1,729)	(1,996)	(901)	(1,176)	(3,662)
Interest expenses	8,951	6,721	4,860	4,298	13,963
Capital loss (gain) from sale of fixed assets, net	(117)	1,238	(154)	(149)	(1,263)
Taxes on income	10,895	13,711	7,741	6,500	22,462
	114,438	103,980	67,983	51,617	222,304
Change in inventory	52,906	11,782	24,913	2,139	(22,747)
Change in trade receivables and other receivable	(84,310)	(72,024)	(67,177)	(7,116)	(34,211)
Change in trade payables and other payables	22,103	17,932	16,484	4,348	(16,664)
Changes liabilities for employee severance benefits	1,524	2,089	1,127	871	4,071
	(7,777)	(40,221)	(24,653)	242	(69,551)
Income tax paid	(18,288)	(26,705)	(11,310)	(19,130)	(46,352)
Net cash generated by (used in) current operations	88,373	37,054	32,020	32,729	106,401
Cash flows from investing activities					
Increase in pledged deposits	(6,884)	-	(6,884)	-	-
Acquisition of equity-accounted investee	(935)	-	-	-	(19,500)
Dividend received	3,130	1,700	630	1,700	1,700
Proceeds from sale of fixed assets and investment property	947	842	530	548	1,565
Acquisition of fixed assets	(31,799)	(66,963)	(16,607)	(48,755)	(123,553)
Investment in intangible assets	(794)	(1,554)	(585)	(535)	(3,679)
Investment in long-term receivables	(21,699)	(24,142)	(10,489)	(11,376)	(40,622)
Repayment of investment in long-term receivables	11,077	10,916	5,247	5,163	19,731
Net cash used in investing activities	(46,957)	(79,201)	(28,158)	(53,255)	(164,358)
Cash flows from financing activities					
Short-term credit, net	51,748	12,076	59,341	74,815	61,204
Distributed dividend	(35,000)	(36,000)	(35,000)	(36,000)	(36,000)
Repayment of debentures	(12,000)	(12,000)	-	-	(23,190)
Receipt on long-term loans	-	100,000	-	-	100,000
Repayment of leases liabilities principal	(12,617)	-	(9,399)	-	-
Repayment of long-term loans from banks	(16,372)	(11,293)	(8,242)	(9,073)	(27,509)
Repayment of other long-term liabilities	(70)	(70)	(35)	(35)	(140)
Interest paid	(9,010)	(6,636)	(5,137)	(4,354)	(13,576)
Net cash (used in) from financing activities	(33,321)	46,077	1,528	25,353	60,789
Net change in cash and cash equivalents	8,095	3,930	5,390	4,827	2,832
Cash and cash equivalents as at the beginning of the period	15,674	12,732	18,269	11,971	12,732
Effect of exchange rate fluctuations on cash and cash equivalents	(118)	81	(8)	(55)	110
Cash and cash equivalents as at the end of the period	23,651	16,743	23,651	16,743	15,674

Condensed Consolidated Interim Segment Reporting

(In Thousands of New Israeli Shekels)

	Alcohol drinks		Barkan		Non-alcohol
	2019	2018	2019	2018	2019
	For the six months ended June 30				
	(Unaudited)				
Segment revenue	<u>280,101</u>	<u>256,207</u>	<u>103,487</u>	<u>100,006</u>	<u>327,707</u>
Segment profit	<u>47,400</u>	<u>51,022</u>	<u>19,468</u>	<u>19,853</u>	<u>27,529</u>
Unallocated expenses					
Operating profit					
Net financing expenses					
Share of profits of equity accounted investees					
Taxes on income					
Profit for the period					

Condensed Consolidated Interim Segment Reporting

(In Thousands of New Israeli Shekels)

	Alcohol drinks		Barkan		Non-alcohol drinks		Consolidated	
	For the three months ended June 30						2019	2018
	2019	2018	2019	2018	2019	2018		
	(Unaudited)							
Segment revenue	<u>157,723</u>	<u>137,481</u>	<u>45,647</u>	<u>33,340</u>	<u>179,355</u>	<u>162,128</u>	<u>382,725</u>	<u>332,949</u>
Segment profit	<u>30,171</u>	<u>31,559</u>	<u>9,735</u>	<u>3,065</u>	<u>18,536</u>	<u>12,021</u>	<u>58,442</u>	<u>46,645</u>
Unallocated expenses							<u>(22,059)</u>	<u>(20,622)</u>
Operating profit							<u>36,383</u>	<u>26,023</u>
Net financing expenses							<u>(5,093)</u>	<u>(2,802)</u>
Share of profits of equity accounted investees							<u>901</u>	<u>1,176</u>
Taxes on income							<u>(7,741)</u>	<u>(6,500)</u>
Profit for the period							<u>24,450</u>	<u>17,897</u>

Condensed Consolidated Interim Segment Reporting

(In Thousands of New Israeli Shekels)

	<u>Alcohol drinks</u>	<u>Barkan</u>	<u>Non-alcohol drinks</u>	<u>Consolidated</u>
	<u>For the year ended December 31, 2018</u>			
	<u>(Audited)</u>			
Segment revenue	<u>553,718</u>	<u>187,516</u>	<u>661,942</u>	<u>1,403,176</u>
Segment profit	<u>111,632</u>	<u>31,215</u>	<u>58,438</u>	201,285
Unallocated expenses				<u>(84,658)</u>
Operating profit				116,627
Net financing expenses				(10,108)
Share of profits of equity-accounted investees				3,662
Taxes on income				<u>(22,462)</u>
Profit for the period				<u>87,719</u>