

**Tempo Beverages Ltd.
and its Subsidiaries**

**Condensed Consolidated Interim
Financial Statements**

For the period ended June 30, 2018

**Condensed Consolidated Interim Financial Statements
For the Period Ended June 30, 2018 (Unaudited)**

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

	June 30 2018	June 30 2017	December 31 2017
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Current assets			
Cash and cash equivalents	16,743	16,363	12,372
Trade receivables	345,210	328,604	290,962
Other receivables	56,117	47,544	35,214
Derivatives	940	-	162
Inventory	275,079	244,333	287,301
Current tax	1,274	1,781	2,360
Total current assets	695,363	638,625	628,731
Investments and long-term receivables			
Long-term loans, receivables and derivatives	45,890	38,561	41,108
Fixed assets	637,178	541,587	602,312
Intangible assets	34,460	42,882	37,523
Investments in equity accounted investees	6,634	4,572	6,338
Inventory in process	6,650	8,175	5,790
Employee benefits	-	215	-
Deferred tax	10,766	11,556	11,808
Total non-current assets	741,578	647,548	704,879
Total assets	1,436,941	1,286,173	1,333,610

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

	June 30 2018 (Unaudited)	June 30 2017 (Unaudited)	December 31 2017 (Audited)
Current liabilities			
Credit from banks and current maturities	314,948	279,097	288,191
Trade payables	251,138	211,091	225,983
Other payables	111,119	120,690	109,238
Derivative	414	1,243	700
Current maturities of debentures	23,634	23,852	23,856
Current taxes liabilities	2,363	7,214	14,676
Total current liabilities	703,616	643,187	662,644
Long-term liabilities			
Loan from banks	115,605	47,977	41,579
Other long-term liabilities and derivatives	2,885	2,790	2,737
Debentures	78,475	101,353	90,353
Deferred tax liabilities	28,829	37,181	31,707
Employee benefits	6,901	3,100	4,545
Total long-term liabilities	232,695	192,401	170,921
Total liabilities	936,311	835,588	833,565
Equity			
Minority interest	638	640	641
Share capital	1	1	1
Share premium	147,334	147,334	147,334
Translation reserve	1,693	137	914
Retained earnings	350,964	302,473	351,155
Total equity attributable to equity holders of the parent company	499,992	449,945	499,404
Total equity	500,630	450,585	500,045
Total liabilities and equity	1,436,941	1,286,173	1,333,610

Jacques Beer
Chairman of the Board
and CEO

Amir Burenstein
Deputy chairman of the Board

Eyal Tregerman
CFO

Date financial statements confirmed: August 28, 2018.

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
	2018	2017	2018	2017	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues from sales, net	667,537	641,933	332,949	329,483	1,334,301
Cost of sales	403,955	377,554	200,165	191,866	787,984
Gross profit	263,582	264,379	132,784	137,617	546,317
Selling and marketing expenses	(168,783)	(161,735)	(86,139)	(84,939)	(325,855)
General and administrative expenses	(40,855)	(39,599)	(20,014)	(20,326)	(82,612)
Other income	-	1,226	-	1,039	992
Other expenses	(1,781)	-	(608)	-	-
Operating profit	52,163	64,271	26,023	33,391	138,842
Financing income	3,274	3,797	1,547	1,963	479
Financing expenses	(7,718)	(11,940)	(4,349)	(3,879)	(17,732)
Financing expenses, net	(4,444)	(8,143)	(2,802)	(1,916)	(17,253)
Share of profits of equity accounted investees	1,996	622	1,176	414	2,388
Profit before tax	49,715	56,750	24,397	31,889	123,977
Tax on income	(13,711)	(15,157)	(6,500)	(8,425)	(33,803)
Profit for the period	36,004	41,593	17,897	23,464	90,174
Attributable to:					
Equity holders of the Company	36,007	41,579	17,918	23,456	90,159
Minority interests	(3)	14	(21)	8	15
	36,004	41,593	17,897	23,464	90,174

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
	2018	2017	2018	2017	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2017
					(Audited)
Profit for the period	36,004	41,593	17,897	23,464	90,174
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	779	137	(638)	167	914
Components of recognized income never carried to profit or loss					
Defined benefit plan actuarial profit (losses)	(198)	(23)	(203)	(141)	79
Other recognized income and expense for the period	581	114	(841)	26	993
Total comprehensive income and expense for the period	36,585	41,707	17,056	23,490	91,167
Attributable to:					
Equity holders of the Company	36,588	41,693	17,077	23,482	91,152
Minority interests	(3)	14	(21)	8	15
Total recognized income and expense for the period	36,585	41,707	17,056	23,490	91,167

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, 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
For the six months ended June 30, 2017 (unaudited)							
Balance as at January 1, 2017	1	147,334	-	300,917	448,252	626	448,878
Distributed dividend	-	-	-	(40,000)	(40,000)	-	(40,000)
Actuarial losses from defined benefit plan	-	-	-	(23)	(23)	-	(23)
Foreign currency translation differences of foreign operations	-	-	137	-	137	-	137
Profit for the period	-	-	-	41,579	41,579	14	41,593
Balance as at June 30, 2017	1	147,334	137	302,473	449,945	640	450,585

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, 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 three months ended June 30, 2017 (unaudited)							
Balance as at April 1, 2017	1	147,334	(30)	279,158	426,463	632	427,095
Actuarial losses from defined benefit plan	-	-	-	(141)	(141)	-	(141)
Foreign currency translation differences of foreign operations	-	-	167	-	167	-	167
Profit for the period	-	-	-	23,456	23,456	8	23,464
Balance as at June 30, 2017	1	147,334	137	302,473	449,945	640	450,585
For the year ended December 31, 2017 (audited)							
Balance as at January 1, 2017	1	147,334	-	300,917	448,252	626	448,878
Dividend to owners	-	-	-	(40,000)	(40,000)	-	(40,000)
Actuarial profit	-	-	-	79	79	-	79
Foreign currency translation difference of foreign operation	-	-	914	-	914	-	914
Profit for the year	-	-	-	90,159	90,159	15	90,174
Balance as at December 31, 2017	1	147,334	914	351,155	499,404	641	500,045

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
	2018	2017	2018	2017	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities					
Profit for the period	36,004	41,593	17,897	23,464	90,174
Adjustments:					
Depreciation and amortization	43,594	39,171	21,954	19,609	86,696
Depreciation of intangible assets	4,708	4,590	2,293	2,291	11,182
Share of profits of equity accounted investees	(1,996)	(622)	(1,176)	(414)	(2,388)
Revaluation gain	-	(701)	-	(701)	(701)
Interest expenses	6,721	4,900	4,298	1,015	12,239
Capital loss (gain) from sale of fixed assets, net	1,238	(223)	(149)	(191)	(301)
Taxes on income	13,711	15,157	6,500	8,425	33,803
	103,980	103,865	51,617	53,498	230,704
Change in inventory	11,782	24,036	2,139	17,128	(16,547)
Change in trade receivables and other receivable	(72,024)	(96,846)	(7,116)	(34,899)	(49,455)
Change in trade payables and other payables	17,932	(6,151)	4,348	(24,822)	(5,254)
Changes liabilities for employee severance benefits	2,089	2,306	871	1,321	4,096
	(40,221)	(76,655)	242	(41,272)	(67,160)
Income tax paid	(26,705)	(23,062)	(19,130)	(6,493)	(40,917)
Net cash generated by current operations	37,054	4,148	32,729	5,733	122,627
Cash flows from investing activities					
Increase in pledged deposits	-	(4,197)	-	(4,197)	(4,197)
Acquisition of equity-accounted investee	-	(2,800)	-	-	(2,800)
Dividend received	1,700	3,775	1,700	-	3,775
Proceeds from sale of fixed assets and investment property	842	608	548	206	1,970
Acquisition of fixed assets	(66,963)	(37,351)	(48,755)	(24,443)	(136,012)
Investment in intangible assets	(1,554)	(4,819)	(535)	(4,205)	(5,714)
Investment in long-term receivables	(24,142)	(29,015)	(11,376)	(10,812)	(47,916)
Repayment of investment in long-term receivables	10,916	10,157	5,163	2,115	20,846
Net cash used in investing activities	(79,201)	(63,642)	(53,255)	(41,336)	(170,048)
Cash flows from financing activities					
Short-term credit, net	12,076	122,671	74,815	92,951	135,993
Distributed dividend	(36,000)	(40,000)	(36,000)	(40,000)	(40,000)
Repayment of debentures	(12,000)	(12,000)	-	-	(23,190)
Receipt on long-term loans	100,000	-	-	-	-
Repayment of long-term loans	(11,293)	(11,681)	(9,073)	(9,597)	(22,307)
Repayment of other long-term liabilities	(70)	(70)	(35)	(35)	(140)
Interest paid	(6,636)	(6,435)	(4,354)	(3,924)	(13,575)
Net cash from financing activities	46,077	52,485	25,353	39,395	36,781
Net change in cash and cash equivalents	3,930	(7,009)	4,827	3,792	(10,640)
Cash and cash equivalents as at the beginning of the period	12,732	23,372	11,971	12,571	23,372
Effect of exchange rate fluctuations on cash and cash equivalents	81	-	(55)	-	-
Cash and cash equivalents as at the end of the period	16,743	16,363	16,743	16,363	12,732

Condensed Consolidated Interim Segment Reporting

(In Thousands of New Israeli Shekels)

	Alcohol drinks		Barkan		Non-alcohol drinks		Consolidated	
	For the six months ended June 30						2018	2017
	2018	2017	2018	2017	2018	2017		
	(Unaudited)							
Segment revenue	256,207	246,350	100,006	95,432	311,324	300,151	667,537	641,933
Segment profit	51,022	56,087	19,853	20,685	23,924	25,990	94,799	102,762
Unallocated expenses							(42,636)	(38,491)
Operating profit							52,163	64,271
Net financing expenses							(4,444)	(8,143)
Share of profits of equity accounted investees							1,996	622
Taxes on income							(13,711)	(15,157)
Profit for the period							36,004	41,593

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						2018	2017
	2018	2017	2018	2017	2018	2017		
	(Unaudited)							
Segment revenue	137,481	131,690	33,340	37,274	162,128	160,519	332,949	329,483
Segment profit	31,559	32,113	3,065	7,017	12,021	13,607	46,645	52,737
Unallocated expenses							(20,622)	(19,346)
Operating profit							26,023	33,391
Net financing expenses							(2,802)	(1,916)
Share of profits of equity accounted investees							1,176	414
Taxes on income							(6,500)	(8,425)
Profit for the period							17,897	23,464

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>
	For the year ended December 31, 2017			
	(Audited)			
Segment revenue	<u>516,165</u>	<u>180,345</u>	<u>637,791</u>	<u>1,334,301</u>
Segment profit	<u>120,983</u>	<u>38,223</u>	<u>61,256</u>	220,462
Unallocated expenses				<u>(81,620)</u>
Operating profit				138,842
Net financing expenses				(17,253)
Share of profits of equity-accounted investees				2,388
Taxes on income				<u>(33,803)</u>
Profit for the period				<u>90,174</u>