

**Tempo Beverages Ltd.
and its Subsidiaries**

**Condensed Consolidated Interim
Financial Statements**

For the period ended September 30, 2019

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

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Condensed Consolidated Interim Statement of Financial Position**Reported Amounts**

	September 30 2019	September 30 2018	December 31 2018
	(Unaudited)	(Unaudited)	(Audited)
	NIS in thousands		
Assets			
Cash and cash equivalents	34,413	18,611	15,674
Trade receivables	442,690	391,849	322,507
Other receivables	55,984	36,252	42,713
Derivative instruments	63	602	1,344
Inventory	292,252	325,763	311,783
Current tax assets	15,688	2,264	11,095
Total current assets	841,090	775,341	705,116
Loans, other receivables	36,029	39,567	34,585
Fixed assets	769,057	644,233	647,692
Intangible assets	30,004	33,878	32,377
Investments in equity accounted investees	39,221	32,949	34,849
Inventory in process	8,800	4,965	4,624
Deferred tax assets	7,329	10,253	9,868
Total non-current assets	890,440	765,845	763,995
Total assets	1,731,530	1,541,186	1,469,111

Condensed Consolidated Interim Statement of Financial Position (cont'd)

Reported Amounts

	September 30 2019 <u>(Unaudited)</u>	September 30 2018 <u>(Unaudited)</u>	December 31 2018 <u>(Audited)</u>
	<u>NIS in thousands</u>		
Liabilities			
Bank overdraft	349,265	351,422	359,263
Trade payables	267,958	267,274	217,244
Other payables	143,397	139,001	103,542
Derivative instruments	1,441	-	-
Current maturity of debentures	32,516	23,928	23,634
Current maturity of lease	27,790	-	-
Current taxes liabilities	47	929	1,526
Total current liabilities	822,414	782,554	705,209
Liabilities to banks	89,771	112,421	104,202
Other long-term liabilities and derivatives	2,780	3,008	2,860
Long-term lease liabilities	102,330	-	-
Debentures	99,310	78,548	67,435
Deferred tax liabilities	23,449	27,769	27,715
Employee benefits	9,181	8,236	8,785
Total non-current liabilities	326,821	229,982	210,997
Total liabilities	1,149,235	1,012,536	916,206
Equity			
Non-controlling interests	635	626	617
Share capital	1	1	1
Share premium	147,334	147,334	147,334
Translation reserve	(3,121)	1,351	2,177
Retained earnings	437,446	379,338	402,776
Total equity attributable to owners of the company	581,660	528,024	552,288
Total equity	582,295	528,650	552,905
Total liabilities and equity	1,731,530	1,541,186	1,469,111

Jacques Beer
 Chairman of the Board
 and CEO

Amir Bornstien
 Deputy Chairman
 of the Board

Eyal Tregerman
 CFO

Date financial statements confirmed: November 28, 2019

Condensed Consolidated Interim Income Statement**Reported Amounts**

	For the nine months ended		For the three months ended		For the
	September 30		September 30		year ended
	2019	2018	2019	2018	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2018
	NIS in thousands				(Audited)
Revenues from sales, net	1,150,062	1,060,819	438,767	393,282	1,403,176
Cost of sales	715,832	642,164	269,627	238,209	857,913
Gross profit	434,230	418,655	169,140	155,073	545,263
Selling and marketing expenses	(267,182)	(261,129)	(96,489)	(92,346)	(343,978)
General and administrative expenses	(63,593)	(63,316)	(22,893)	(22,461)	(85,306)
Other income	847	148	314	298	1,263
Other expenses	(38)	(1,631)	-	-	(615)
Operating profit	104,264	92,727	50,072	40,564	116,627
Financing income	3,696	3,094	1,541	359	4,164
Financing expenses	(18,835)	(11,032)	(6,214)	(3,853)	(14,272)
Financing expenses, net	(15,139)	(7,938)	(4,673)	(3,494)	(10,108)
Share of profits of equity-Accounted investees	3,151	2,811	1,422	815	3,662
Profit before taxes on income	92,276	87,600	46,821	37,885	110,181
Taxes on income	(21,982)	(23,159)	(11,087)	(9,448)	(22,462)
Profit for the period	70,294	64,441	35,734	28,437	87,719
Attributable to:					
Owners of the Company	70,276	64,456	35,724	28,449	87,743
Non-controlling interests	18	(15)	10	(12)	(24)
	70,294	64,441	35,734	28,437	87,719

Condensed Consolidated Interim Statement of Comprehensive Income**Reported Amounts**

	<u>For the nine months ended</u>		<u>For the three months ended</u>		<u>For the</u>
	<u>September 30</u>		<u>September 30</u>		<u>year ended</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>December 31</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>2018</u>
	NIS in thousands				<u>(Audited)</u>
Profit for the period	70,294	64,441	35,734	28,437	87,719
Foreign currency translation differences of foreign operations	(5,298)	437	(3,021)	(342)	1,263
Defined benefit plan actuarial losses	(606)	(273)	(532)	(75)	(122)
Other comprehensive income (losses)	(5,904)	164	(3,553)	(417)	1,141
Total comprehensive income for the period	64,390	64,605	32,181	28,020	88,860
Attributable to:					
Owners of the Company	64,372	64,620	32,171	28,032	88,884
Non-controlling interests	18	(15)	10	(12)	(24)
Total comprehensive income for the period	64,390	64,605	32,181	28,020	88,860

Condensed Consolidated Interim Statement of Changes in Equity**Reported Amounts**

	Attributable to Owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings	Total		
	NIS in thousands						
For the nine months ended September 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	-	-	-	(606)	(606)	-	(606)
Foreign currency translation differences of foreign operation	-	-	(5,298)	-	(5,298)	-	(5,298)
Profit for the period	-	-	-	70,276	70,276	18	70,294
Balance as at September 30, 2019	1	147,334	(3,121)	437,446	581,660	635	582,295
For the nine months ended September 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	-	-	-	(273)	(273)	-	(273)
Foreign currency translation differences of foreign operation	-	-	437	-	437	-	437
Profit for the Period	-	-	-	64,456	64,456	(15)	64,441
Balance as at September 30, 2018	1	147,334	1,351	379,338	528,024	626	528,650

Condensed Consolidated Interim Statement of Changes in Equity**Reported Amounts**

	Attributable to Owners of the Company				Non-controlling interests	Total equity	
	Share capital	Share premium	Translation reserve	Retained earnings			Total
	NIS in thousands						
For the three months ended September 30, 2019 (unaudited)							
Balance as at July 1, 2019	1	147,334	(100)	402,254	549,489	625	550,114
Actuarial losses from defined benefit plan	-	-	-	(532)	(532)	-	(532)
Foreign currency translation differences of foreign operation	-	-	(3,021)	-	(3,021)	-	(3,021)
Profit for the period	-	-	-	35,724	35,724	10	35,734
Balance as at September 30, 2019	1	147,334	(3,121)	437,446	581,660	635	582,295
For the three months ended September 30, 2018 (unaudited)							
Balance as at July 1, 2018	1	147,334	1,693	350,964	499,992	638	500,630
Actuarial losses from defined benefit plan	-	-	-	(75)	(75)	-	(75)
Foreign currency translation differences of foreign operation	-	-	(342)	-	(342)	-	(342)
Profit for the period	-	-	-	28,449	28,449	(12)	28,437
Balance as at September 30, 2018	1	147,334	1,351	379,338	528,024	626	528,650
For the year ended December 31, 2018 (audited)							
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)
Foreign currency translation differences of foreign operation	-	-	1,263	-	1,263	-	1,263
Actuarial losses from defined benefit plan	-	-	-	(122)	(122)	-	(122)
Profit for the period	-	-	-	87,743	87,743	(24)	87,719
Balance as at December 31, 2018	1	147,334	2,177	402,776	552,288	617	552,905

Condensed Consolidated Interim Statement of Cash Flows**Reported Amounts**

	For the nine months ended		For the three months ended		For the
	September 30		September 30		year ended
	2019	2018	2019	2018	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2018
NIS in thousands					
Cash flows from operating activities					
Profit for the period	70,294	64,441	35,734	28,437	87,719
Adjustments:					
Depreciation and amortization	89,296	68,629	31,253	25,035	94,136
Depreciation of intangible assets	5,749	6,774	1,914	2,066	8,949
Share of profits of equity-accounted investees	(3,151)	(2,811)	(1,422)	(815)	(3,662)
Interest expenses	12,736	10,067	3,785	3,346	13,963
Loss (gain) on sale of fixed assets	115	977	232	(261)	(1,263)
Income tax expense	21,982	23,159	11,087	9,448	22,462
	<u>197,021</u>	<u>171,236</u>	<u>82,583</u>	<u>67,256</u>	<u>222,304</u>
Change in inventory	22,392	(37,379)	(30,514)	(49,161)	(22,747)
Change in trade and other receivable	(132,612)	(94,788)	(48,302)	(22,764)	(34,211)
Change in trade and other payables	83,641	66,356	61,538	48,424	(16,664)
Changes in employee benefits	3,449	3,326	1,925	1,237	4,071
	<u>(23,130)</u>	<u>(62,485)</u>	<u>(15,353)</u>	<u>(22,264)</u>	<u>(69,551)</u>
Income tax paid	(29,599)	(39,101)	(11,311)	(12,396)	(46,352)
Net cash provided by operating activities	<u>144,292</u>	<u>69,650</u>	<u>55,919</u>	<u>32,596</u>	<u>106,401</u>
Cash flows from investing activities					
Acquisition of subsidiary less cash required	(7,325)	-	(441)	-	-
Acquisition of equity-accounted investees	(2,050)	(19,500)	(1,115)	(19,500)	(19,500)
Dividend from investee companies	3,455	1,700	325	-	1,700
Proceeds from sale of fixed assets	1,243	1,133	296	291	1,565
Acquisition of fixed assets	(52,276)	(100,273)	(20,477)	(33,310)	(123,553)
Investment in intangible assets	(1,319)	(3,073)	(525)	(1,519)	(3,679)
Investment in long-term receivables	(29,776)	(35,679)	(8,077)	(11,537)	(40,622)
Repayment of investment in long-term receivables	16,176	15,218	5,099	4,302	19,731
Net cash used in investing activities	<u>(71,872)</u>	<u>(140,474)</u>	<u>(24,915)</u>	<u>(61,273)</u>	<u>(164,358)</u>
Cash flows from financing activities					
Short-term credit, net	(7,466)	53,268	(59,214)	41,192	61,204
Distributed dividend	(35,000)	(36,000)	-	-	(36,000)
Repayment of debentures	(12,000)	(12,000)	-	-	(23,190)
Receipt on long-term loans	-	100,000	-	-	100,000
Issuance of debentures	52,325	-	52,325	-	-
Repayment of long-term loans	(19,497)	(19,195)	(3,125)	(7,902)	(27,509)
Repayment of lease	(19,424)	-	(6,807)	-	-
Repayment of other long-term liabilities	(105)	(105)	(35)	(35)	(140)
Interest paid	(12,264)	(9,315)	(3,254)	(2,679)	(13,576)
Net cash (used in) provided by financing activities	<u>(53,431)</u>	<u>76,653</u>	<u>(20,110)</u>	<u>30,576</u>	<u>60,789</u>
Net change in cash and cash equivalents	<u>18,989</u>	<u>5,829</u>	<u>10,894</u>	<u>1,899</u>	<u>2,832</u>
Cash and cash equivalents as at the beginning of the period	15,674	12,732	23,651	16,743	12,732
Effect of exchange rate fluctuations on cash and cash equivalents	(250)	50	(132)	(31)	110
Cash and cash equivalents as at the end of the period	<u>34,413</u>	<u>18,611</u>	<u>34,413</u>	<u>18,611</u>	<u>15,674</u>

Condensed Consolidated Interim Segment Reporting

	Alcohol drinks		Barkan		Non-alcohol drinks		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	For the nine months ended September 30							
	(Unaudited)							
	NIS in thousands							
Segment revenue	452,179	409,181	158,377	150,811	539,506	500,827	1,150,062	1,060,819
Segment profit	78,365	85,604	30,545	27,197	58,138	44,725	167,048	157,526
Unallocated expenses							(62,784)	(64,799)
Operating profit							104,264	92,727
Net financing expenses							(15,139)	(7,938)
Share of profits of equity accounted investees							3,151	2,811
Taxes on income							(21,982)	(23,159)
Profit for the period							70,294	64,441

Condensed Consolidated Interim Segment Reporting

	Alcohol drinks		Barkan		Non-alcohol drinks		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	For the three months ended September 30							
	(Unaudited)							
	NIS in thousands							
Segment revenue	172,078	152,974	54,890	50,805	211,799	189,503	438,767	393,282
Segment profit	30,965	34,582	11,077	7,344	30,609	20,801	72,651	62,727
Unallocated expenses							(22,579)	(22,163)
Operating profit							50,072	40,564
Net financing expenses							(4,673)	(3,494)
Share of profits of equity accounted investees							1,422	815
Taxes on income							(11,087)	(9,448)
Profit for the period							35,734	28,437

Condensed Consolidated Interim Segment Reporting

	<u>Alcohol drinks</u>	<u>Barkan</u>	<u>Non-alcohol drinks</u>	<u>Consolidated</u>
	For the year ended December 31, 2018			
	(Audited)			
	NIS in thousands			
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				3,662
Taxes on income				<u>(22,462)</u>
Profit for the period				<u>87,719</u>