

**Tempo Beverages Ltd.
and its Subsidiaries**

**Condensed Consolidated Interim
Financial Statements**

**For the period ended
March 31, 2020**

**Condensed Consolidated Interim Financial Statements
For the Period Ended March 31, 2020 (Unaudited)**

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Condensed Consolidated Interim Balance Sheet

(In Thousands of New Israeli Shekels)

Reported Amounts

| | March 31 2020 | March 31 2019 | December 31 2019 |
|--|--------------------------|--------------------------|-----------------------------|
| | (Unaudited) | (Unaudited) | (Audited) |
| Current assets | | | |
| Cash and cash equivalents | 26,210 | 18,269 | 36,690 |
| Trade receivables | 331,260 | 328,236 | 350,600 |
| Other receivables | 42,844 | 53,383 | 42,015 |
| Derivatives | 952 | 80 | 116 |
| Inventory | 282,452 | 283,639 | 296,859 |
| Current taxes | 4,425 | 14,962 | 14,483 |
| Total current assets | 688,143 | 698,569 | 740,763 |
| Investments and long-term receivables | | | |
| Long-term loans, receivables and derivatives | 39,765 | 36,943 | 33,212 |
| Fixed assets | 771,222 | 784,621 | 775,683 |
| Intangible assets | 27,003 | 30,691 | 28,769 |
| Investments in equity accounted investees | 36,458 | 34,112 | 39,583 |
| Inventory in process | 6,517 | 3,680 | 7,633 |
| Deferred taxes | 8,281 | 7,433 | 6,587 |
| Total long-term assets | 889,246 | 897,480 | 891,467 |
| Total assets | 1,577,389 | 1,596,049 | 1,632,230 |

Jacques Beer
Chairman of the Board
and CEO

Amir Borenstein
Deputy Chairman of the Board

Eyal Tregerman
CFO

Date financial statements confirmed: May 18, 2020

Condensed Consolidated Interim Balance Sheet

(In Thousands of New Israeli Shekels)

Reported Amounts

| | March 31 2020 (Unaudited) | March 31 2019 (Unaudited) | December 31 2019 (Audited) |
|--|--|--|---|
| Current Liabilities | | | |
| Credit from banks and current maturities | 155,906 | 351,726 | 341,042 |
| Trade payables | 212,941 | 206,922 | 222,948 |
| Other payables | 108,259 | 158,598 | 104,486 |
| Derivatives | 280 | 1,112 | 58 |
| Current maturities of debentures | 37,396 | 23,783 | 31,745 |
| Current maturities of liabilities in respect of leasing | 29,008 | 26,633 | 28,721 |
| Current taxes liabilities | 713 | 1,573 | 308 |
| Total current liabilities | 544,503 | 770,347 | 729,308 |
| Long-Term liabilities | | | |
| Loans from banks | 78,491 | 99,771 | 82,866 |
| Other Long-term liabilities and derivatives | 2,846 | 2,846 | 2,745 |
| Long-term liabilities in respect of leasing | 95,624 | 111,202 | 99,685 |
| Debentures | 211,556 | 55,476 | 79,656 |
| Deferred tax liabilities | 25,980 | 25,248 | 25,416 |
| Employee benefits | 9,362 | 5,461 | 9,763 |
| Total long-term liabilities | 423,859 | 300,004 | 300,131 |
| Total liabilities | 968,362 | 1,070,351 | 1,029,439 |
| Minority interest | 648 | 620 | 635 |
| Shareholders' equity | | | |
| Share capital | 1 | 1 | 1 |
| Share premium | 147,334 | 147,334 | 147,334 |
| Translation reserve | (1,892) | (48) | (2,286) |
| Retained earnings | 462,936 | 377,791 | 457,107 |
| Total equity attributable to equity holders of the parent company | 608,379 | 525,078 | 602,156 |
| Total shareholders' equity | 609,027 | 525,698 | 602,791 |
| Total liabilities and shareholders' equity | 1,577,389 | 1,596,049 | 1,632,230 |

Condensed Consolidated Interim Statement of Operation

(In Thousands of New Israeli Shekels)

Reported Amounts

| | For the three months ended March 31 | | For the year ended December 31 |
|--|--|-------------|--------------------------------------|
| | 2020 | 2019 | 2019 |
| | (Unaudited) | (Unaudited) | (Audited) |
| Revenues from sales, net | 333,126 | 328,570 | 1,514,821 |
| Cost of sales | 212,061 | 211,888 | 945,062 |
| Gross profit | 121,065 | 116,682 | 569,759 |
| Selling and marketing expenses | (83,227) | (80,727) | (349,095) |
| General and administrative expenses | (26,571) | (18,472) | (84,222) |
| Other income | 111 | 326 | 68 |
| Other expenses | (83) | - | (590) |
| Operating profit | 11,295 | 17,809 | 135,920 |
| Financing income | 1,535 | 1,741 | 1,927 |
| Financing expenses | (5,427) | (7,114) | (21,813) |
| Financing expenses, net | (3,892) | (5,373) | (19,886) |
| Share of profits of equity accounted investees | 36 | 828 | 3,022 |
| Profit before tax | 7,439 | 13,264 | 119,056 |
| Tax on income | (2,062) | (3,154) | (29,279) |
| Profit for the period | 5,377 | 10,110 | 89,777 |
| Attributable to: | | | |
| Equity holders of the Company | 5,364 | 10,107 | 89,759 |
| Minority interest | 13 | 3 | 18 |
| | 5,377 | 10,110 | 89,777 |

Condensed Consolidated Interim Statement of Recognized Income and Expense

(In Thousands of New Israeli Shekels)

Reported Amounts

| | For the three months ended March 31 | | For the year ended December 31 |
|--|--|--------------------|---|
| | 2020 | 2019 | 2019 |
| | (Unaudited) | (Unaudited) | (Audited) |
| Profit for the period | <u>5,377</u> | <u>10,110</u> | <u>89,777</u> |
| 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 | 394 | (2,225) | (4,463) |
| Components of recognized income never carried to profit and loss | | | |
| Defined benefit plan actuarial profit (losses) | <u>465</u> | <u>(92)</u> | <u>(428)</u> |
| Other recognized income and expense for the period | <u>859</u> | <u>(2,317)</u> | <u>(4,891)</u> |
| Total recognized income and expense for the period | <u>6,236</u> | <u>7,793</u> | <u>84,886</u> |
| Attributable to: | | | |
| Equity holders of the Company | 6,223 | 7,790 | 84,868 |
| Minority interest | <u>13</u> | <u>3</u> | <u>18</u> |
| Total recognized income and expense for the period | <u>6,236</u> | <u>7,793</u> | <u>84,886</u> |

Condensed Interim Statement of Changes in Shareholders' Equity

(In Thousands of New Israeli Shekels)

Reported Amounts

| | Attributable to equity holders of the Company | | | | | Minority interest | Total equity |
|--|---|----------------|---------------------|-------------------|----------------|-------------------|----------------|
| | Share capital | Share premium | Translation reserve | Retained earnings | Total | | |
| For the three months ended March 31, 2020 (Unaudited) | | | | | | | |
| Balance at January 1, 2020 | 1 | 147,334 | (2,286) | 457,107 | 602,156 | 635 | 602,791 |
| Actuarial gains from defined benefit plan, net of tax | - | - | - | 465 | 465 | - | 465 |
| Foreign currency translation differences of foreign operations | - | - | 394 | - | 394 | - | 394 |
| Profit for the period | - | - | - | 5,364 | 5,364 | 13 | 5,377 |
| Balance at March 31, 2020 | 1 | 147,334 | (1,892) | 462,936 | 608,379 | 648 | 609,027 |
| For the three months ended March 31, 2019 (Unaudited) | | | | | | | |
| Balance at January 1, 2019 | 1 | 147,334 | 2,177 | 402,776 | 552,288 | 617 | 552,905 |
| Dividend to owners | - | - | - | (35,000) | (35,000) | - | (35,000) |
| Actuarial losses from defined benefit plan, net of tax | - | - | - | (92) | (92) | - | (92) |
| Foreign currency translation differences of foreign operations | - | - | (2,225) | - | (2,225) | - | (2,225) |
| Profit for the period | - | - | - | 10,107 | 10,107 | 3 | 10,110 |
| Balance at March 31, 2019 | 1 | 147,334 | (48) | 377,791 | 525,078 | 620 | 525,698 |
| For the year ended December 31, 2019 (audited) | | | | | | | |
| Balance at January 1, 2019 | 1 | 147,334 | 2,177 | 402,776 | 552,288 | 617 | 552,905 |
| Dividend to owners | - | - | - | (35,000) | (35,000) | - | (35,000) |
| Actuarial losses from defined benefit plan, net of tax | - | - | - | (428) | (428) | - | (428) |
| Foreign currency translation differences of foreign operations | - | - | (4,463) | - | (4,463) | - | (4,463) |
| Profit for the year | - | - | - | 89,759 | 89,759 | 18 | 89,777 |
| Balance at December 31, 2019 | 1 | 147,334 | (2,286) | 457,107 | 602,156 | 635 | 602,791 |

Interim Statements of Cash Flows

(In Thousands of New Israeli Shekels)

Reported Amounts

| | For the three months ended | | For the |
|--|----------------------------|-----------------|------------------|
| | March 31 | | year ended |
| | 2020 | 2019 | 2019 |
| | (Unaudited) | (Unaudited) | (Audited) |
| Cash flows from operating activities | | | |
| Profit for the period | 5,377 | 10,110 | 89,777 |
| Adjustments: | | | |
| Depreciation and amortization | 29,885 | 27,996 | 126,675 |
| Depreciation of intangible assets | 2,213 | 1,895 | 7,635 |
| Share of profits of equity accounted investees | (36) | (828) | (3,022) |
| Interest expenses | 3,975 | 4,091 | 17,720 |
| Capital losses from sale of fixed assets, net | 232 | 37 | 1,322 |
| Taxes on income | 2,062 | 3,154 | 29,279 |
| | <u>43,708</u> | <u>46,455</u> | <u>269,386</u> |
| Change in inventory | 15,633 | 27,993 | 14,276 |
| Change in trade receivables and other receivable | 16,466 | (17,133) | (22,268) |
| Change in trade payables and other payables | (5,433) | 5,619 | 3,552 |
| Changes in liabilities for employee severance benefits | 203 | 397 | 4,263 |
| | <u>26,869</u> | <u>16,876</u> | <u>(177)</u> |
| Income tax (paid) received | 7,132 | (6,978) | (32,775) |
| Net cash generated by current operations | <u>77,709</u> | <u>56,353</u> | <u>236,434</u> |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary, net of the acquired cash | - | - | (7,585) |
| Deferred proceeds payments for acquisition of a subsidiary | (706) | - | - |
| Acquisition of equity accounted investee | - | (935) | (4,250) |
| Dividends received | 3,161 | 2,500 | 3,770 |
| Proceeds from sale of fixed assets and investment property | 44 | 417 | 1,389 |
| Acquisition of fixed assets | (20,260) | (15,192) | (86,117) |
| Investment in intangible assets | (436) | (209) | (1,931) |
| Investment in long-term receivables | (12,742) | (11,210) | (39,814) |
| Repayment of investment in long-term receivables | 6,202 | 5,830 | 21,049 |
| Net cash used in investing activities | <u>(24,737)</u> | <u>(18,799)</u> | <u>(113,489)</u> |
| Cash flows from financing activities | | | |
| Short-term credit, net | (185,147) | (7,593) | (14,319) |
| Distributed dividend | - | - | (35,000) |
| Repayment of debentures | (12,000) | (12,000) | (31,524) |
| Issuance of debentures | 148,650 | - | 52,325 |
| Repayment of long-term loans | (4,375) | (4,375) | (27,772) |
| Repayment of principle of liabilities in respect of leasing | (7,636) | (6,973) | (27,141) |
| Repayment of other long-term liabilities | (35) | (35) | (140) |
| Interest paid | (2,935) | (3,873) | (18,146) |
| Net cash used in financing activities | <u>(63,478)</u> | <u>(34,849)</u> | <u>(101,717)</u> |
| Change in cash and cash equivalents | <u>(10,506)</u> | <u>2,705</u> | <u>21,228</u> |
| Cash and cash equivalents balance at beginning of period | <u>36,690</u> | <u>15,674</u> | <u>15,674</u> |
| Effect of exchange rate fluctuations on cash and cash equivalents | <u>26</u> | <u>(110)</u> | <u>(212)</u> |
| Cash and cash equivalents balance at ended of period | <u>26,210</u> | <u>18,269</u> | <u>36,690</u> |

Condensed Consolidated Interim Segment Reporting

(In Thousands of New Israeli Shekels)

| | Alcohol drinks | | Barkan | | Non-alcohol drinks | | Consolidated | |
|--|-------------------------------------|---------|---------------|--------|--------------------|---------|-----------------|----------|
| | For the three months ended March 31 | | | | | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (Unaudited) | | | | | | | |
| Segment revenue | 117,829 | 122,378 | 59,475 | 57,840 | 155,822 | 148,352 | 333,126 | 328,570 |
| Segment profit | 11,395 | 17,229 | 14,121 | 9,733 | 12,322 | 8,993 | 37,838 | 35,955 |
| Unallocated expenses | | | | | | | (26,543) | (18,146) |
| Operating profit | | | | | | | 11,295 | 17,809 |
| Net financing expenses | | | | | | | (3,892) | (5,373) |
| Share of profits of equity accounted investees | | | | | | | 36 | 828 |
| Taxes on income | | | | | | | (2,062) | (3,154) |
| Profit for the period | | | | | | | 5,377 | 10,110 |

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, 2019 | | | |
| | (Audited) | | | |
| Segment revenue | <u>612,940</u> | <u>190,596</u> | <u>711,285</u> | <u>1,514,821</u> |
| Segment profit | <u>106,976</u> | <u>37,442</u> | <u>76,246</u> | 220,664 |
| Unallocated expenses | | | | <u>(84,744)</u> |
| Operating profit | | | | 135,920 |
| Net financing expenses | | | | (19,886) |
| Share of profits of equity-accounted investees | | | | 3,022 |
| Taxes on income | | | | <u>(29,279)</u> |
| Profit for the period | | | | <u>89,777</u> |