

**Tempo Beverages Ltd.
and its Subsidiaries**

**Condensed Consolidated Interim
Financial Statements**

For the period ended June 30, 2020

**Condensed Consolidated Interim Financial Statements
For the Period Ended June 30, 2020 (Unaudited)**

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

	June 30 2020	June 30 2019	December 31 2019
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Current assets			
Cash and cash equivalents	19,679	23,651	36,690
Trade receivables	346,931	387,117	350,600
Other receivables	55,978	71,827	42,015
Derivatives	699	-	116
Inventory	267,116	263,341	296,859
Current tax	2,844	17,886	14,483
	<u>693,247</u>	<u>763,822</u>	<u>740,763</u>
Investments and long-term receivables			
Long-term loans and receivables	37,331	35,532	33,212
Fixed assets	770,697	774,174	775,683
Intangible assets	25,306	31,496	28,769
Investments in equity accounted investees	36,967	34,384	39,583
Inventory in process	6,195	3,600	7,633
Deferred tax	8,083	7,469	6,587
	<u>884,579</u>	<u>886,655</u>	<u>891,467</u>
Total non-current assets	<u>884,579</u>	<u>886,655</u>	<u>891,467</u>
Total assets	<u>1,577,826</u>	<u>1,650,477</u>	<u>1,632,230</u>

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

	June 30 2020 <u>(Unaudited)</u>	June 30 2019 <u>(Unaudited)</u>	December 31 2019 <u>(Audited)</u>
Current liabilities			
Credit from banks and current maturities	82,821	408,479	341,042
Trade payables	220,085	225,877	222,948
Other payables	113,718	123,876	104,486
Derivative	61	1,124	58
Current maturities of debentures	43,097	23,412	31,745
Current maturities of leases	27,957	27,721	28,721
Current taxes liabilities	2,912	1,432	308
Total current liabilities	<u>490,651</u>	<u>811,921</u>	<u>729,308</u>
Long-term liabilities			
Loan from banks	72,315	92,896	82,866
Other long-term liabilities	2,643	2,827	2,745
Long term liabilities of leases	96,465	105,847	99,685
Debentures	255,178	55,522	79,656
Deferred tax liabilities	27,345	24,785	25,416
Employee benefits	7,217	6,565	9,763
Total long-term liabilities	<u>461,163</u>	<u>288,442</u>	<u>300,131</u>
Total liabilities	<u>951,814</u>	<u>1,100,363</u>	<u>1,029,439</u>
Equity			
Minority interest	<u>661</u>	<u>625</u>	<u>635</u>
Share capital	1	1	1
Share premium	147,334	147,334	147,334
Translation reserve	(2,107)	(100)	(2,286)
Retained earnings	480,123	402,254	457,107
Total equity attributable to equity holders of the parent company	<u>625,351</u>	<u>549,489</u>	<u>602,156</u>
Total equity	<u>626,012</u>	<u>550,114</u>	<u>602,791</u>
Total liabilities and equity	<u>1,577,826</u>	<u>1,650,477</u>	<u>1,632,230</u>

Jacques Beer
Chairman of the Board
and CEO

Amir Bornstien
Deputy chairman of the Board

Eyal Tregerman
CFO

Date financial statements confirmed: August 27, 2020

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
	2020	2019	2020	2019	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues from sales, net	648,725	711,295	315,599	382,725	1,514,821
Cost of sales	411,420	446,205	199,359	234,317	945,062
Gross profit	237,305	265,090	116,240	148,408	569,759
Selling and marketing expenses	(154,409)	(170,693)	(71,182)	(89,966)	(349,095)
General and administrative expenses	(42,804)	(40,700)	(16,233)	(22,228)	(84,222)
Other income	170	539	59	210	68
Other expenses	(123)	(44)	(40)	(41)	(590)
Operating profit	40,139	54,192	28,844	36,383	135,920
Financing income	572	2,155	22	414	1,927
Financing expenses	(9,789)	(12,621)	(5,347)	(5,507)	(21,813)
Financing expenses, net	(9,217)	(10,466)	(5,325)	(5,093)	(19,886)
Share of profits (losses) of equity accounted investees	(4)	1,729	(40)	901	3,022
Profit before tax	30,918	45,455	23,479	32,191	119,056
Tax on income	(8,346)	(10,895)	(6,284)	(7,741)	(29,279)
Profit for the period	22,572	34,560	17,195	24,450	89,777
Attributable to:					
Equity holders of the Company	22,546	34,552	17,182	24,445	89,759
Minority interests	26	8	13	5	18
	22,572	34,560	17,195	24,450	89,777

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
	2020	2019	2020	2019	December 31
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2019
					(Audited)
Profit for the period	22,572	34,560	17,195	24,450	89,777
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	179	(2,277)	(215)	(52)	(4,463)
Components of recognized income never carried to profit or loss					
Defined benefit plan actuarial profit (losses)	470	(74)	5	18	(428)
Other recognized income and expense for the period	649	(2,351)	(210)	(34)	(4,891)
Total comprehensive income and expense for the period	23,221	32,209	16,985	24,416	84,886
Attributable to:					
Equity holders of the Company	23,195	32,201	16,972	24,411	84,868
Minority interests	26	8	13	5	18
Total recognized income and expense for the period	23,221	32,209	16,985	24,416	84,886

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, 2020 (unaudited)							
Balance as at January 1, 2020	1	147,334	(2,286)	457,107	602,156	635	602,791
Foreign currency translation differences of foreign operations	-	-	179	-	179	-	179
Actuarial gains from defined benefit plan	-	-	-	470	470	-	470
Profit for the period	-	-	-	22,546	22,546	26	22,572
Balance as at June 30, 2020	1	147,334	(2,107)	480,123	625,351	661	626,012
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)
Foreign currency translation differences of foreign operations	-	-	(2,277)	-	(2,277)	-	(2,277)
Actuarial losses from defined benefit plan	-	-	-	(74)	(74)	-	(74)
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

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, 2020 (unaudited)							
Balance as at April 1, 2020	1	147,334	(1,892)	462,936	608,379	648	609,027
Foreign currency translation differences of foreign operations	-	-	(215)	-	(215)	-	(215)
Actuarial gains from defined benefit plan	-	-	-	5	5	-	5
Profit for the period	-	-	-	17,182	17,182	13	17,195
Balance as at June 30, 2020	1	147,334	(2,107)	480,123	625,351	661	626,012
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
Foreign currency translation differences of foreign operations	-	-	(52)	-	(52)	-	(52)
Actuarial gains from defined benefit plan	-	-	-	18	18	-	18
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 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)
Foreign currency translation differences of foreign operations	-	-	(4,463)	-	(4,463)	-	(4,463)
Defined benefit plan actuarial losses	-	-	-	(428)	(428)	-	(428)
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

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
	2020	2019	2020	2019	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities					
Profit for the period	22,572	34,560	17,195	24,450	89,777
Adjustments:					
Depreciation and amortization	57,364	58,043	27,479	30,047	126,675
Depreciation of intangible assets	4,179	3,835	1,966	1,940	7,635
Share of losses (profits) of equity accounted investees	4	(1,729)	40	(901)	(3,022)
Interest expenses	7,744	8,951	3,769	4,860	17,720
Capital loss (gain) from sale of fixed assets, net	225	(117)	(7)	(154)	1,322
Taxes on income	8,346	10,895	6,284	7,741	29,279
	100,434	114,438	56,726	67,983	269,386
Change in inventory	31,204	52,906	15,571	24,913	14,276
Change in trade receivables and other receivable	(10,130)	(84,310)	(26,596)	(67,177)	(22,268)
Change in trade payables and other payables	3,738	22,103	9,171	16,484	3,552
Changes liabilities for employee severance benefits	1,585	1,524	1,382	1,127	4,263
	26,397	(7,777)	(472)	(24,653)	(177)
Income tax (paid) received	6,190	(18,288)	(942)	(11,310)	(32,775)
Net cash generated by current operations	133,021	88,373	55,312	32,020	236,434
Cash flows from investing activities					
Acquisition of subsidiary, net of the acquired cash	-	(6,884)	-	(6,884)	(7,585)
Payment of deferred consideration for the acquisition of a subsidiary	(914)	-	(208)	-	-
Acquisition of equity-accounted investee	(549)	(935)	(549)	-	(4,250)
Dividend received	3,161	3,130	-	630	3,770
Proceeds from sale of fixed assets and investment property	120	947	76	530	1,389
Acquisition of fixed assets	(40,179)	(31,799)	(19,919)	(16,607)	(86,117)
Investment in intangible assets	(714)	(794)	(278)	(585)	(1,931)
Investment in long-term receivables	(15,789)	(21,699)	(3,047)	(10,489)	(39,814)
Repayment of investment in long-term receivables	10,338	11,077	4,136	5,247	21,049
Net cash used in investing activities	(44,526)	(46,957)	(19,789)	(28,158)	(113,489)
Cash flows from financing activities					
Short-term credit, net	(257,523)	51,748	(72,376)	59,341	(14,319)
Distributed dividend	-	(35,000)	-	(35,000)	(35,000)
Repayment of debentures	(12,000)	(12,000)	-	-	(31,524)
Issuance of debentures	198,120	-	49,470	-	52,325
Repayment of leases liabilities principal	(15,703)	(12,617)	(8,067)	(5,644)	(27,141)
Repayment of long-term loans from banks	(11,251)	(16,372)	(6,876)	(11,997)	(27,772)
Repayment of other long-term liabilities	(70)	(70)	(35)	(35)	(140)
Interest paid	(7,084)	(9,010)	(4,149)	(5,137)	(18,146)
Net cash (used in) from financing activities	(105,511)	(33,321)	(42,033)	1,528	(101,717)
Net change in cash and cash equivalents	(17,016)	8,095	(6,510)	5,390	21,228
Cash and cash equivalents as at the beginning of the period	36,690	15,674	26,210	18,269	15,674
Effect of exchange rate fluctuations on cash and cash equivalents	5	(118)	(21)	(8)	(212)
Cash and cash equivalents as at the end of the period	19,679	23,651	19,679	23,651	36,690

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						2020	2019
	2020	2019	2020	2019	2020	2019		
	(Unaudited)							
Segment revenue	243,601	280,101	91,201	103,487	313,923	327,707	648,725	711,295
Segment profit	30,722	47,400	21,055	19,468	31,119	27,529	82,896	94,397
Unallocated expenses							(42,757)	(40,205)
Operating profit							40,139	54,192
Net financing expenses							(9,217)	(10,466)
Share of profits (losses) of equity accounted investees							(4)	1,729
Taxes on income							(8,346)	(10,895)
Profit for the period							22,572	34,560

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						2020	2019
	2020	2019	2020	2019	2020	2019		
	(Unaudited)							
Segment revenue	125,772	157,723	31,726	45,647	158,101	179,355	315,599	382,725
Segment profit	19,327	30,171	6,934	9,735	18,797	18,536	45,058	58,442
Unallocated expenses							(16,214)	(22,059)
Operating profit							28,844	36,383
Net financing expenses							(5,325)	(5,093)
Share of profits (losses) of equity accounted investees							(40)	901
Taxes on income							(6,284)	(7,741)
Profit for the period							17,195	24,450

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>