



**The board of directors' report regarding the Company's  
affairs**

**For the period ending on September 30, 2020**

# **Max Stock Ltd.**

## **The board of directors' report regarding the Company's affairs For the nine-month period ending on September 30, 2020**

The board of directors of Max Stock Ltd. (the “**Company**”) hereby submits the board of directors’ report regarding the Company’s affairs for the nine-month period ended on September 30, 2020 (the “**Reporting Period**”), in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the “**Regulations**”).

This board report is presented in an abbreviated manner and has been written under the assumption that the readers are able to reference the Company’s tender offer prospectus and shelf prospectus dated September 15, 2020, published on September 14, 2020 (Ref. No: 2020-01-092029) (the “**Prospectus**”).

It should be emphasized that this report includes forward-looking information as defined under the Securities Law, 5728-1968. Forward-looking information is uncertain information regarding the future, including forecasts, projections, estimates or other information which refer to a future event or matter, the eventuation of which is uncertain and/or not within the Company’s control. The forward-looking information included in this report is based on the current information held by the Company or its current assessments, as of the publication date of this report.

### **A. Board explanations of the state of the Company's affairs**

#### **1. The Company's activities and material events during and subsequent to the Reporting Period**

1.1 The Company was incorporated in Israel as a private company on December 16, 2004 under its current name. On November 17, 2015, the Company’s name was changed to “Max Management Israel Ltd.” and on March 10, 2020, its name was changed back to its current name - Max Stock Ltd.

1.2 From incorporation, and as of the publication date of this report, the Company is engaged in a retail business by operating a national “discount” chain of stores trading under the name “Max - Here it’s Fun to Buy” and “Max 20” which offer a range of household products at attractive prices. The Company operates 50 branches throughout Israel, from Kiriat Shmona to Eilat, through subsidiaries and franchises (the “**Max Chain**” or the “**Chain**”).

1.3 On September 14, 2020, the Company's shares were first offered to the public through a tender offer and its shares were first listed on the Tel Aviv Stock Exchange Ltd. ("TASE") on September 17, 2020. For additional details see Note 4 M of the interim financial statements as of September 30, 2020.

#### 1.4 Impact of COVID-19 on the Group's operations

##### 1.4.1 General

The COVID-19 virus (the "**Virus**" or "**COVID-19**") pandemic emerged in China during Q1 2020 and then started to spread to many countries around the world, including Israel. The spread of COVID-19 has had widespread micro and macro economic effects, which, only naturally, have materially impacted the Chain's operations. The spread of the Virus has, *inter alia*, caused a disruption in the supply chain, a decline in international transit, restrictions on movement and industry imposed by the Israeli government and by many other countries around the world, as well as a decline in the value of financial assets and commodities in markets both in Israel and around the world. Similarly, according to guidelines issued by the Israeli government, towards the end of Q1 and the beginning of Q2 2020, businesses were either prohibited or restricted in how they operate, the physical presence of manpower at workplaces was restricted, education systems were suspended and restrictions were imposed on leaving one's place of residence. Accordingly, the Company's stores were closed at the end of Q1 and recommenced operations on April 19, 2020. During April-May 2020 the restrictions imposed by the Israeli government were eased and the economy gradually returned to operations under "Tav Hasagol" (purple certification) conditions and guidelines (including wearing masks in stores, placing a Perspex divider at check-out counters, imposing limits on the number of people that can enter a store based on the area limits set forth in the regulations and avoiding gatherings).

Towards the end of Q2 2020 and during Q3 2020, there was another wave of the Virus, which led to the Government imposing additional restrictions. For example, on September 13, 2020, the Israeli government announced the imposition of new restrictions starting from September 18, 2020, which included another business shutdown, restrictions on leaving one's place of residence and closing the education system (the "**Second Shutdown**"). Notwithstanding the restrictions, the Company's stores continued to operate during the Second Shutdown in accordance with the guidelines and regulations which enabled essential and other businesses defined in the regulations to continue to operate. As of the publication date of this report, some of the restrictions have been lifted, including allowing stores with street access and shopping

centers (under certain restrictions) to reopen, opening green tourist islands in Eilat and the Dead Sea, and part of the education system; however, most commercial operations in Israel have not yet been allowed to reopen.

In March 2020, the Company applied for the Ministry of Economy to declare the Chain as an “essential factory during a time of emergency”, as such term is defined in the Emergency Employment Service Law, 5727-1967, since the Company’s stores sell sanitization, cleaning and personal hygiene products (like the supermarket chains). This application was relegated to a special government committee, which has not yet convened, and a decision has not yet been made in such respect.

Presented below is a description of the impact of COVID-19 on the Company and its operations. It should be noted that as of the date of the report, the restrictions imposed under the Second Shutdown have not impacted the Company’s operations. Nonetheless, by its very nature, the spread of COVID-19, its impact and scope are consistently changing and being assessed, and the Company has no control over it, therefore, the information, data and assessments made by the Chain and set forth in this report are based on the information available to the Company as of the publication date of this report and they may change from time to time.

#### **1.4.2 Procurement and supply chain**

The Group procures a material part of its products from international suppliers and vendors, including those in China. When the Virus first broke out in Q1 2020, uncertainty arose with respect to the scope and nature of operations with the Chain’s suppliers in China due to a concern about the ability and capacity of Chinese manufacturing plants to operate which would impact the scope of products imported by the Company to Israel and their price. Notwithstanding, as of the publication date of the report, the Chain’s Chinese suppliers have almost entirely recommenced operations, and the spread of the Virus in China is not materially impacting the continued activity *vis-a-vis* the suppliers. There has similarly not been a material change in the range of products imported by the Company or their prices.

As of the date of the report, the scope of the Company’s imports has not been materially adversely impacted relative to corresponding periods, and the Company does not anticipate any material short-term changes.

#### **1.4.3 Impact on the Company’s stores and its employees**

On March 15, 2020, new emergency guidelines issued by the Israeli government took effect,

with the objective of dealing with the COVID-19 crisis and preventing the spread of the Virus in Israel. Accordingly, the Chain reduced the scope of operations at all of its stores, including reducing the operating hours and placing employees on unpaid leave, until March 26, 2020; further to additional restrictions imposed under subsequent regulations, the Chain closed all of its branches and placed all of the Chain's store employees on unpaid leave until April 18, 2020 (the "**Period the Chain was Shut**").

At the beginning of the Period the Chain was Shut, the Chain operated in a handful of stores by offering customers direct store deliveries through placing orders via Whatsapp; however, these activities were also halted on March 31, 2020, due to elevating restrictions and the relatively low sales volume which did not justify the stores continuing to operate in this manner. During the Period the Chain was Shut, the Chain was materially adversely impacted due to the fact that it generated no revenues. At the same time, the Chain informed all lessors that due to the fact the Chain's stores had closed, rent would not be paid in April and the Company ceased rental payments. After the Chain recommenced operations, the Company negotiated partial rent payments for April 2020 with all lessors. Furthermore, in order to reduce the adverse impact on the Company's revenues during the Period the Chain was Shut, the Company started importing medical equipment required for this period, including disposable masks, coveralls, non-contact thermometers, and more ("**PPE**"). The clientele for the PPE were from the institutional market, including government ministries and hospitals. These imports partially alleviated some of the significant lost profits resulting from the shutdown of the Chain's stores. Similar products now sold in the Chain's stores are not part of this inventory and were imported separately in the Company's regular course of business. For details about the Company executing these contracts, see Section 8.6.6 of Chapter 8 of the Prospectus and Note 4(c) of the interim consolidated financial statements as of September 30, 2020.

Following an announcement about easing restrictions imposed under the emergency regulations, the Chain's stores recommenced operations on April 19, 2020, under the "*Tav Hasagol*" restrictions and conditions imposed to protect public health, as published by the Government, and the Company gradually recommenced operations. On May 15, 2020, most of the Chain's employees returned to work after being on unpaid leave, except for employees who are "at risk" and those who requested to extend their unpaid leave due to special circumstances. As of the publication date of the report, all of the Chain's employees have returned to work after being on unpaid leave.

On September 13, 2020, the Israeli government announced the commencement of the Second Shutdown starting on September 18, 2020. As of the publication date of the report, some of the restrictions introduced as part of the Second Shutdown have been lifted; however, most businesses in Israel remain closed. The Chain continued operating without interruption during the Second Shutdown (subject to regulations).

Immediately after the crisis started and in response thereto, the Company introduced various cost-saving and other measures, which resulted in a reduction of sales, marketing and salary expenses, including by placing employees on unpaid leave during the Period the Chain was Shut, and then transitioning into working into small “capsules” in order to comply with the requirements of the “Tav Hasagol”. Similarly, during the Period the Chain was Shut, the Company acted to reduce rent and municipal tax expenses by taking advantage of discounts and arrangements it achieved with some of the lessors.

During the first nine months of 2020, notwithstanding the period in which the Company’s stores were closed, the Company’s revenues increased relative to the same period last year. The increase is primarily attributed to the Company’s activities in the PPE segment and an increase in the scope of the Chain’s ongoing operations.

During the first nine months of 2020 and in Q3 2020 the Chain’s SSS<sup>1</sup> increased by approximately 2% and 17% respectively relative to the same period last year (unaudited and unreviewed figures), primarily as a result of an increase in demand for pharmaceutical, cleaning and laundry, kitchen, tools and electric products.

Should any of the Company’s stores close as a result of regulatory restrictions which may be imposed as a result of a health emergency, the Company will examine the possibility of being able to continue to commercially operate, on the basis of its import and distribution network and on the basis of customer home-delivery and online sales with in-store collection services. For additional details about the Company’s financial and operating metrics for the three and nine-month periods ending on September 30, 2020, see Section 6 below.

For additional details about the Company’s operating results for the nine-month period ending on September 30, 2020, disregarding the sale of PPE, see Section 8.4 below.

***The possible impact the spread of COVID-19 may have on the Chain’s operations, as described above and below, including with respect to the possible imposition of additional***

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<sup>1</sup> Same Store Sales - a figure which reflects the scope of the Chain’s sales in stores which have been open for at least one year, and which compares the sales in stores during the period relative to the same period last year. For additional details see Section 6.1 below.

*restrictions and their possible impact on the Company, constitute “forward-looking information,” as defined in the Securities Law, 5728-1968, the realization of which is uncertain and contingent on factors beyond the Company’s control. This information is primarily based on public information regarding COVID-19, as existing on the publication date of the report (and which is frequently changing) as well as on assessments made by the Company which are, inter alia, based on information known on the publication date of the report. It should be clarified that there is no certainty that these assessments will eventuate, either in whole or in part, and they may even be materially different than what is presented above, this, inter alia, due to their dependence on external factors that are not within the Company’s control, including changes and trends in the spread of COVID-19, decisions made by both Israeli and international authorities, and the impact on the spending habits of the Company’s customer base.*

#### **1.5 Additional material events during and following the Reporting Period**

- a. During the first nine months of 2020, the Company opened two new stores in the cities of Raanana and Talpiot Jerusalem (a new store in addition to the existing one) which are being operated by subsidiaries and another store in the city of Haifa which is being operated as a franchise. In October 2020, the Company opened another store in Carmiel.
- b. Distribution of dividends by the subsidiaries - see Note 4H of the consolidated financial statements for the first nine months of 2020.
- c. During the first nine months of 2020, the Company acquired minority rights from shareholders of the subsidiaries ranging from 5%-49% of the share capital. Following the acquisition, the Company’s holdings in the subsidiaries increased to 75%-100% of their total share capital. The share of the acquired minority rights in the net profit of the acquired companies during the first nine months of 2020 totaled approximately NIS 1,251 thousands. The Company paid approximately NIS 5,800 thousands for these shares.

For additional details about material events following the date of the report on the financial position, see Note 4 of the Company’s consolidated financial statements as of September 30, 2020.

For additional details about a description of the commercial environment and its impact on the Company’s operations, see Chapter 6 of the Prospectus.

## 2. Financial Position

Line	As of September 30 (NIS 000's)		As of December 31 (NIS 000's)	Company's explanations
	2020	2019	2019	
Accounts receivable	66,436	54,428	53,969	The increase as of September 30, 2020, relative to the comparison periods is primarily attributable to the increase in the scale of the Company's operations, as described above.
Inventory	106,454	91,795	102,355	The increase as of September 30, 2020, relative to the comparison periods is primarily attributable to the increase in the scale of the Company's operations, as described above.
Other current assets	171,806	84,463	61,453	The increase as of September 30, 2020, relative to the comparison periods is primarily attributable to an increase in cash and short-term deposits line items. The increase in the cash line item is attributable to a positive net cash-flow from the Company's ongoing operations and the increase in the short-term deposits line item is attributable to obtaining credit and placing such funds in a deposit. For details also refer to Note 4B of the financial statements as of September 30, 2020.
Non-current assets	423,625	363,116	415,120	The increase as of September 30, 2020, relative to the comparison periods, is primarily attributable to recognizing a right of use asset at the end of 2019, as a result of implementing IFRS 16 - regarding leases ("Standard 16" or "IFRS 16") and an increase in fixed assets during the first nine months of 2020.
<b>Total assets</b>	<b>768,321</b>	<b>593,802</b>	<b>632,897</b>	
Liabilities to vendors, suppliers and service providers	76,562	71,519	59,860	The increase as of September 30, 2020, relative to the comparison periods is primarily attributable to the increase in the scale of the Company's operations, as described above.
Other current liabilities	150,379	93,283	87,560	The increase as of September 30, 2020, relative to the comparison periods is primarily

Line	As of September 30 (NIS 000's)		As of December 31 (NIS 000's)	Company's explanations
	2020	2019	2019	
				attributable to obtaining credit from banking corporations and an increase in the accounts payable and credit balance line items, primarily attributable to accounts payable for salaries and expenses payable.
Non-current liabilities	371,429	322,310	365,421	The increase as of September 30, 2020, relative to the comparison periods is primarily attributable to an increase in liabilities for leases.
<b>Total liabilities</b>	<b>598,370</b>	<b>487,112</b>	<b>512,841</b>	
Capital/Equity	169,951	106,690	120,056	During the first nine months of 2020 there was an increase in equity deriving from a profit of approximately NIS 64 million which was offset by the acquisition of minority rights in the subsidiaries and from the distribution of dividends to minority shareholders by the subsidiaries totaling approximately NIS 5.8 million and NIS 8.5 million, respectively.
<b>Total equity and liabilities</b>	<b>768,321</b>	<b>593,802</b>	<b>632,897</b>	

### 3. Operating Results

Line	For the nine-month period ending on September 30 (NIS 000's)		For the year ending December 31 (NIS 000's)	Company's explanations
	2020	2019		
Revenues	734,411	562,208	741,550	The primary change relative to the same period last year is attributed to an increase in the scope of the Company's operations as detailed above and the Company's activities in the PPE segment, which the Company started in response to the spread of COVID-19, for additional information see Note 4C of the Company's consolidated financial statements as of September 30, 2020 (the " <b>Company's PPE Activities</b> ").
Cost of goods sold	480,704	340,143	448,003	The primary change relative to the same period last year is attributed to an increase in the scope of the Company's operations as detailed above and the Company's PPE Activities.
Gross Profit	253,707	222,065	293,547	Presented below are the rates of gross profit for the reporting periods: The first nine months of 2020 - 34.5%, the first nine months of 2019 - 39.5%, 2019 (annual) - 39.6%. The decrease during the Reporting Period relative to the same period last year was caused by the impact of the spread of COVID-19 on the Company's activities as described in Note 4A of the Company's consolidated financial statements as of September 30, 2020, and from the Company's PPE Activities. Offsetting the impact of the Company's PPE Activities, the rate of the gross profit during the first nine months of 2020 is 39.3%.
Marketing and sales expenses	119,293	123,126	167,060	The decrease in marketing and sales expenses is attributed to the impact of COVID-19 on the Company's activities, which caused a decrease in salary expenses caused by placing employees on unpaid leave and from other cost cutting measures which resulted in a decrease in salary expenses. Similarly, the decrease is attributable to a decline in rental and municipal tax expenses resulting from

				discounts and arrangements with lessors achieved as a result of the impact of COVID-19.
General and administrative expenses	18,953	18,007	24,189	
Other income	(1,098)	(469)	(733)	Other income in the first nine months of 2020 is attributable to the profit from an impairment in leasing liabilities caused by the implementation of Standard 16.
Other expenses	5,280	1,191	1,499	Other expenses in the first nine months of 2020 is attributable to IPO expenses and a capital loss from impairing fixed assets.
<b>Operating profit</b>	<b>111,279</b>	<b>80,210</b>	<b>101,532</b>	
Financing revenues	(2,696)	(642)	(601)	The increase in financing revenues in the first nine months of 2020 relative to the comparison periods is primarily attributable to profits from hedging transactions.
Financing expenses	14,434	8,578	10,998	The increase in financing expenses in the first nine months of 2020 relative to the comparison periods is primarily attributable to financing expenses for leases caused by implementing Standard 16.
Financing expenses for special transactions	13,276	-	-	Financing expenses attributable to credit obtained by the Company from unaffiliated and interested parties to support the Company's PPE Activities as detailed above.
<b>Pre-tax profit</b>	<b>86,265</b>	<b>72,274</b>	<b>91,135</b>	
Income taxes	22,114	16,915	20,861	
<b>Net profit</b>	<b>64,151</b>	<b>55,359</b>	<b>70,274</b>	
Remeasuring defined benefit plans	-	-	(278)	For employee benefits.
<b>Total comprehensive profit</b>	<b>64,151</b>	<b>55,359</b>	<b>69,996</b>	

For additional details about the Company's operating results for the nine-month period ending on September 30, 2020, disregarding the sale of PPE, see Section 6.4 below.

Line	For the three-month period ending on September 30 (NIS 000's)		<b>Company's explanations</b>
	2020	2019	
Revenues	261,970	210,132	The primary increase in Q3 2020 relative to the same period last year is attributed to an increase in the scale of the Company's operations as detailed above.
Cost of goods sold	159,519	128,044	The primary increase in Q3 2020 relative to the same period last year is attributed to an increase in the scale of the Company's operations as detailed above.
<b>Gross Profit</b>	<b>102,451</b>	<b>82,088</b>	The rate of the gross profit for the three-month period ending on September 30, 2020, and for the corresponding period last year - 39.1%.
Marketing and sales expenses	48,624	44,930	The increase in marketing and sales expenses in Q3 2020 relative to the same period last year is primarily attributed to an increase in depreciation expenses for right of use assets and an increase in salary, lease and other expenses caused by an increase in the scope of the Company's operations as detailed above.
General and administrative expenses	7,789	6,906	The primary increase in Q3 2020 relative to the same period last year is attributed to an increase in the scale of the Company's operations as detailed above.
Other income	(596)	(89)	Other income in the three-month period ended as of September 30, 2020, is attributable to the profit from an impairment in leasing liabilities caused by the implementation of Standard 16.
Other expenses	5,280	1,191	Other expenses for the three-month period ending on September 30, 2020 is attributable to IPO expenses and a capital loss for impairing fixed assets.
<b>Operating profit</b>	<b>41,354</b>	<b>29,150</b>	
Financing revenues	(690)	(251)	The increase in financing revenues for the three-month period ending on September 30, 2020, is primarily attributable to a profit from hedging transactions.
Financing expenses	4,502	3,283	The increase in financing expenses for the three-month period ending on September 30, 2020, is primarily attributable to financing expenses for leases derived from implementing

			Standard 16.
Financing expenses for special transactions	1,446	-	Financing expenses attributable to credit obtained by the Company from unaffiliated and interested parties to support the Company's PPE Activities as detailed above.
<b>Pre-tax profit</b>	<b>36,096</b>	<b>26,118</b>	
Income taxes	9,932	6,140	
<b>Net profit</b>	<b>26,164</b>	<b>19,978</b>	
Remeasuring defined benefit plans	-	-	
<b><u>Total comprehensive profit</u></b>	<b>26,164</b>	<b>19,978</b>	

#### **4. Liquidity**

Line	For the nine-month period ending on September 30 (NIS 000's)		For the year ending December 31 (NIS 000's)	Company's explanations
	2020	2019	2019	
<b>Cash flow from current operations</b>	114,106	92,644	96,612	The primary increase in the nine-month period ending as of September 30, 2020, relative to the same period last year is attributable to the increase in the scale of the Company's operations which resulted in increased profits.
<b>Cash flows utilized for investment activities</b>	(72,912)	(22,825)	(10,672)	The primary increase in the nine-month period ending as of September 30, 2020, relative to the same period last year is attributable to short-term deposits and purchasing and investing in fixed assets.
<b>Cash flow from (utilized for) financing</b>	7,692	(56,137)	(83,623)	The primary change in cash flow from financing activities during the nine-month period ending on September 30, 2020, is attributable to receiving loans from banking corporations, net. Against cash-flows utilized for financing activities attributable to lease payments, acquiring minority rights in subsidiaries and the payment of dividends to minority right holders by the subsidiaries.
<b>Increase in cash and cash equivalents</b>	48,886	13,682	2,317	

Line	For the three-month period ending on September 30 (NIS 000's)		<b>Company's explanations</b>
	2020	2019	
<b>Cash flow from current operations</b>	57,526	28,842	The primary increase in the three-month period ending as of September 30, 2020, relative to the same period last year is attributable to an increase in the scale of the Company's operations which was resulted in increased profits and a decrease in working capital balances.
<b>Cash flows utilized for investment activities</b>	(23,988)	(16,915)	The primary increase in the three-month period ending as of September 30, 2020, relative to the same period last year is attributable to short-term deposits and purchasing and investing in fixed assets.
<b>Cash flows utilized for financing activities</b>	(21,081)	(12,034)	The primary increase in cash-flow utilized for financing activities in the three-month period ended as of September 30, 2020, is attributable to the acquisition of minority rights in subsidiaries and the payment of dividends to minority right holders by the subsidiaries.
<b>Increase (decrease) in cash and cash equivalents</b>	12,457	(107)	

## **5. Initial implementation of Standard 16 (IFRS 16)**

Further to Note 2R of the annual financial statements, regarding leases and the initial implementation of Standard 16, presented below is a description of the implementation of Standard 16 on the 2019 results (unaudited):

<b>Line</b>	<b>Pre-IFRS 16</b>	<b>Impact of IFRS 16</b>	<b>Post-IFRS 16</b>
<b>NIS Thousands</b>			
Gross Profit	292,669	878	293,547
EBITDA	100,527	40,662	141,189
Operating profit	93,933	7,599	101,532
Pre-tax profit	93,246	(2,111)	91,135
<b>Net profit</b>	<b>71,898</b>	<b>(1,624)</b>	<b>70,274</b>

Presented below is a description of the impact of Standard 16 on the results for the nine-month period ending on September 30, 2020 (unaudited):

<b>Line</b>	<b>Pre-IFRS 16</b>	<b>Impact of IFRS 16</b>	<b>Post-IFRS 16</b>	<b>After implementing IFRS 16 excluding activities selling PPE*</b>
<b>NIS Thousands</b>				
Gross Profit	252,209	1,498	253,707	239,363
EBITDA	114,074	33,090	147,164	132,819
Operating profit	104,167	7,112	111,279	96,935
Pre-tax profit	91,892	(5,627)	86,265	85,197
<b>Net profit</b>	<b>68,484</b>	<b>(4,333)</b>	<b>64,151</b>	<b>63,329</b>

\* For details about the sale of PPE, see Note 4C of the Company's consolidated financial statements as of September 30, 2020.

Presented below is a description of the impact of Standard 16 on the results for the nine-month period ending on September 30, 2019 (unaudited):

<b>Line</b>	<b>Pre-IFRS 16</b>	<b>Impact of IFRS 16</b>	<b>Post-IFRS 16</b>
<b>NIS Thousands</b>			
Gross Profit	221,520	545	222,065
EBITDA	79,895	29,719	109,614
Operating profit	74,922	5,288	80,210
Pre-tax profit	74,604	(2,330)	72,274
<b>Net profit</b>	<b>57,153</b>	<b>(1,794)</b>	<b>55,359</b>

Presented below is a description of the impact of Standard 16 on the results for the three-month period ending on September 30, 2020 (unaudited):

<b>Line</b>	<b>Pre-IFRS 16</b>	<b>Impact of IFRS 16</b>	<b>Post-IFRS 16</b>
<b>NIS Thousands</b>			
Gross Profit	101,875	576	102,451
EBITDA	45,824	11,986	57,810
Operating profit	38,737	2,617	41,354
Pre-tax profit	37,236	(1,140)	36,096
<b>Net profit</b>	<b>27,042</b>	<b>(878)</b>	<b>26,164</b>

Presented below is a description of the impact of Standard 16 on the results for the three-month period ending on September 30, 2019 (unaudited):

<b>Line</b>	<b>Pre-IFRS 16</b>	<b>Impact of IFRS 16</b>	<b>Post-IFRS 16</b>
<b>NIS Thousands</b>			
Gross Profit	81,836	252	82,088
EBITDA	29,595	10,174	39,769
Operating profit	27,103	2,047	29,150
Pre-tax profit	26,718	(600)	26,118
<b>Net profit</b>	<b>20,440</b>	<b>(462)</b>	<b>19,978</b>

## **6. Key Performance Indicators (KPI)**

6.1 As of the publication date of the report, the Company's management utilizes six operating and financial metrics which are not based on generally accepted accounting principles, in order to assess, measure, track and present the Company's operating and financial performance. These metrics which are included in managerial reports and investor presentations which are being submitted concurrently to this report should not be understood as being an alternative to the information included in the Company's financial statements.

Below is a description of the metrics:

<b>KPI</b>	<b>Date of calculation / components</b>	<b>Objective of the KPI</b>	<b>Data</b>
<b>EBITDA</b>	Operating profit, offsetting depreciation and amortization and other expenses/revenues.	A commonly used KPI, which serves as an indicator of the cash-flow being derived from the Company's ongoing operations, offsetting the impact of the Company's capital structure, the impact of one off or exceptional events in the Company's affairs, and the impact of taxes and financing.	See the description included in the table below.
<b>EBITDA Adjusted</b>	EBITDA offsetting the impact of Standard 16.	The objective of using this KPI is to present the Company's EBITDA while offsetting the impact of the implementation of Standard 16.  For a description of the adjustments made to net profit and adjusted EBITDA, see the table below.	See the description included in the table below.
<b>Same Store Sales</b>	The rate of change in stores owned by the Company and operating for a period of one or more calendar years.	This datapoint, which is generally presented as a percentage relative to the preceding period, enables the Company's management to measure the annual (periodic) change in sales, neutralizing	The rates of change for same store sales for 2019, relative to the 9-month and 3-month periods which concluded on September 30, 2020, are 6%, 2% and 17%, respectively.

		stores that have been open for less than one year, and presents a reliable picture of the change in business activity for the Company's management without any distortion from stores which have not yet established themselves and been operating for a full year.	
<b>Rates of change in the average basket price</b>	The rate of change between the total calculated by dividing the total sum of all transactions by the number of transactions during the Reporting Period relative to a corresponding or previous reporting period.	This metric presents the Company's management with a picture of the rate of increase or decline in the average amount customers spend on one occasion, and enables the Company's management to consider ways to differentiate different shopping quantities and to increase marketing.	<p>The rate of change in the average amount spent by a customer in a large store during the nine-month period which concluded as of September 30, 2020, relative to 2019 and Q3 2020 relative to 2019 increased by approximately 19% and 34% respectively.</p> <p>The rate of change in the average amount spent by a customer in a small store during the nine-month period which concluded as of September 30, 2020, relative to 2019 and Q3 2020 relative to 2019 increased by approximately 21% and 30% respectively.</p>

6.2 Presented below is data about the Company's EBITDA and Adjusted EBITDA during the reporting periods (NIS 000's):

KPI	For the nine-month period ending on September 30		For the three-month period ending on September 30		For the year ending December 31, 2019
	2020	2019	2020	2019	
<b>EBITDA</b>	147,163	109,614	57,810	39,769	141,189
<b>Adjusted EBITDA</b>	114,074	79,895	45,824	29,595	100,527

6.3 Presented below is a description of the adjustments made on the Company's gross profit from EBITDA, and Adjusted EBITDA (NIS 000's):

	<b>For the nine-month period ending on September 30</b>		<b>For the three-month period ending on September 30</b>		<b>2019</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	
Net profit	64,151	55,359	26,164	19,978	70,274
Tax expenses	22,114	16,915	9,932	6,140	20,861
Net financing expenses	25,014	7,936	5,258	3,032	10,397
Depreciation and amortization	31,703	28,682	11,772	9,517	38,891
Other expenses (revenues)	4,182	722	4,684	1,102	766
<b>EBITDA</b>	<b>147,163</b>	<b>109,614</b>	<b>57,810</b>	<b>39,769</b>	<b>141,189</b>
IFRS 16 adjustments	(33,089)	(29,719)	(11,986)	(10,174)	(40,662)
<b>Adjusted EBITDA</b>	<b>114,074</b>	<b>79,895</b>	<b>45,824</b>	<b>29,595</b>	<b>100,527</b>

6.4 Further to that set forth above in Section 0, presented below are the results from Company's operating activities excluding the sale of PPE:

	<b>For the nine-month period ending on September 30</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
	<b>NIS 000's</b>	
Revenues from sales	609,611	562,208
Cost of goods sold	370,248	340,143
Gross Profit	239,363	222,065
Marketing and sales expenses	119,293	123,126
General and administrative expenses	18,953	18,007
Other income	(1,098)	(469)
Other expenses	5,280	1,191
Operating profit	96,935	80,210
Financing revenues	(2,696)	(642)
Financing expenses	14,434	8,578
Profits before income taxes	85,197	72,274
Income tax	21,868	16,915
Net profit	63,329	55,359

## **7. Sources of financing**

7.1 The Company primarily finances its operations from ongoing activities and credit from banking corporations.

### **7.2 Banking credit**

The balance of credit obtained by the Company from banking corporations (including current maturities) as of September 30, 2020, totals approximately NIS 78,299 thousands, in comparison to September 30, 2019, which totaled approximately NIS 41,180 thousands. The increase in the balance of credit from banking corporations is primarily due to taking short-term loans of NIS 40 million with the objective of increasing the Company's liquidity in the event that more COVID-19 restrictions, which may materially adversely impact the Company's operations, are to be introduced.

### **7.3 Customer credit and vendor credit**

There were no material changes in the credit payment terms the Company has obtained from its vendors and the credit payment terms the Company grants its customers relative to that set forth in the board of directors' report in the Prospectus.

#### **7.4 Financial risk management**

For additional information about the management of the Company's financial risks, see Section 16D of the annual financial statements.

For additional details about the Company's sources of financing see Section 7.1 of the board of directors' report included in the Prospectus which is included in this report by way of reference and Notes 11 and 14 of the annual financial statements attached to the Prospectus.

### **B. Aspects of corporate governance**

#### **8. Directors with accounting and financial expertise**

The minimum number of directors with accounting and financial expertise appropriate for the Company, as determined by the Company's board of directors pursuant to Section 92(a)(12) of the Companies Law, 5759-1999 (the "**Companies Law**"), is two directors. This determination was made based on the nature of the accounting and auditing issues which arise in preparing the Company's financial statements, the Company's operating segments, the size of the Company and the scope and complexity of its operations. As of the publication date of the report, there are five (5) directors serving on the Company's board of directors with accounting and financial expertise, including: Ms. Zehavit Cohen, Mr. Shay Aba, Mr. Shlomo Zohar, Mr. Peretz Goza and Mr. Oren Elezra. For additional details about these directors, see Section 7.1 of Chapter 7 of the Prospectus and the immediate reports dated November 23, 2020 (Ref No: 2020-01-126108 and 2020-01-126117).

**November 29, 2020**

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**Evan Charles Neumann**  
Co-CEO

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**Uri Max**  
Co-CEO

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**Zehavit Cohen**  
Chair of the Board

**Annex A to the Board of Directors Report - A linkage adjusted balance sheet as of September 30, 2020 (NIS 000's)**

	NIS	USD	Euro	Total
<b><u>Current assets</u></b>				
Cash and cash equivalents	93,474	328	1,141	94,943
Shorts term deposits	60,500	-	-	60,500
Accounts receivable	66,436	-	-	66,436
Current tax rebates	696	-	-	696
Accounts receivable	14,146	1,521	-	15,667
Inventory	106,454	-	-	106,454
	<u>341,706</u>	<u>1,849</u>	<u>1,141</u>	<u>344,696</u>
<b><u>Non-current assets</u></b>				
Long-term deposit	160	-	-	160
Fixed assets, net	45,137	-	-	45,137
Right of use assets	370,334	-	-	370,334
Deferred taxes	7,994	-	-	7,994
	<u>423,625</u>	<u>-</u>	<u>-</u>	<u>423,625</u>
	<u><b>765,331</b></u>	<u><b>1,849</b></u>	<u><b>1,141</b></u>	<u><b>768,321</b></u>
<b><u>Current liabilities</u></b>				
Credit from banking corporations	56,250	-	-	56,250
Lease liabilities	49,758	-	-	49,758
Liabilities to vendors, suppliers and service providers	71,883	4,620	59	76,562
Current taxes payable	10,334	-	-	10,334
Accounts payable	32,221	-	-	32,221
Dividend payable	1,816	-	-	1,816
	<u>222,262</u>	<u>4,620</u>	<u>59</u>	<u>226,941</u>
<b><u>Non-current liabilities</u></b>				
Loans from banking corporations	22,049	-	-	22,049
Lease liabilities	347,416	-	-	347,416
Liabilities in respect of employee benefits	1,964	-	-	1,964
	<u>371,429</u>	<u>-</u>	<u>-</u>	<u>371,429</u>
<b><u>Capital/Equity</u></b>				
Shareholders' capital	155,503	-	-	155,503
Minority rights	14,448	-	-	14,448
Total capital/equity	<u>169,951</u>	<u>-</u>	<u>-</u>	<u>169,951</u>
	<u><b>763,642</b></u>	<u><b>4,620</b></u>	<u><b>59</b></u>	<u><b>768,321</b></u>

The above figures represent the Group's comprehensive linkage adjusted balance sheet. The treatment of foreign exchange exposure was done based on Israel as the region, due to the fact that it is Israel's currency differentials which impact the financing costs/revenues in the report on profit and loss.



## Changes and innovations in the Company's business during and subsequent to the Reporting Period which are required to be described in the Periodic Report

The following terms shall be used in this report:

“Company” - Max Stock Ltd.

“Max Chain” or the “Chain” - the “discount” retail chain operating under the trade names “Max - Here it’s fun to buy” and “Max 20” which are operated by the Company via subsidiaries and franchises.

“Financial Report” - the Company’s consolidated financial report as of September 30, 2020.

“Periodic Report” - the Company’s 2019 annual report, published together with the Company’s Prospectus.

“Prospectus” or the “Company’s Prospectus” - the Company’s prospectus published on September 14, 2020 (Ref. No: 2020-01-092029).

### 1. Update to Section 6.5 of the Prospectus - Investments in the Company's share capital and transactions with its shares

- 1.1. Tender offer and listing on the TASE - On September 14, 2020, the tender offer of the Company’s shares to institutional investors under the Prospectus was completed and the Company became a public company. Under the tender offer the Company’s share price was NIS 12 per share. For additional details see the Company’s immediate report regarding the results of the institutional tender held on September 16, 2020 (Ref. No: 2020-01-092830). On September 17, 2020, the Company’s shares commenced trade on the Tel Aviv Stock Exchange Ltd. (“TASE”). On November 19, 2020, TASE announced that at the conclusion of the trading day on December 3, 2020, the Company’s shares will be included

in the following indexes: Tel Aviv-125, Tel Aviv-90, Tel Aviv-SME150, Tel Aviv-Rimon and Tel Aviv-AllShare.

- 1.2. Oversubscription - Further to that set forth in Section 2.5.3 of Chapter 2 of the Prospectus, on September 21, 2020, Jefferies LLC, which served as lead underwriter of the tender offer under the Prospectus (the “**Lead Underwriter**”), informed Moose Holdco Ltd. (“**Moose**”), a controlling shareholder of the Company, of the exercise of the option given to it, to acquire an additional 6,750,000 ordinary shares with no par value of the Company from Moose, which constitute 15% of the quantity of shares offered under the Prospectus, in accordance with the conditions and terms detailed in Section 2.6.5 of the Prospectus. The exercise of the option was completed on September 23, 2020. For additional details see the Company’s immediate reports dated September 22 and 23, 2020 (Ref. No: 2020-01-094918 and 2020-01-095374, respectively).
- 1.3. Securities lockup - Further to that set forth in Section 3.7.10 of Chapter 3 of the Prospectus, on October 21, 2020, the trustee for the lock-up of the Company’s shares held by Moose, Uriah and Iris Ltd. and Uri Max Ltd., to ensure the lock-up provisions under the TASE bylaws and regulations was replaced. The new trustee for the locked-up shares is Altshuler Shaham Trusts Ltd.

## 2. Update of Section 6.17 of the Prospectus - Competition

Shortly after the publication of the Company’s Prospectus, there were media articles and TASE announcements made by Fox Vizel Ltd. (hereinafter: “**Fox Group**”) in September and November 2020, that Fox Group executed agreements to obtain a franchise to operate “Jumbo” retail chain stores and to open a store by the end of 2021 (according to the announcement made by Fox Group) or by the end of 2022 (according to Jumbo’s announcement).

The Company is already operating in an extremely competitive market consisting of many players in each one of its product segments, as set forth in Section 6.17 of Chapter 6 of the Prospectus.

In light of such and in light of the time required to enter the market and establish a national chain store like the Max Chain (which, as of the date of this report, has 50

branches across the country), the Company assesses, that as of the date of this report, the foregoing is not anticipated to have a material impact on the Company's operations.

**MAX STOCK LTD.**

**FINANCIAL DATA FROM THE INTERIM CONSOLIDATED STATEMENTS  
ATTRIBUTED TO THE COMPANY**

**AS OF SEPTEMBER 30, 2020**

**FINANCIAL DATA FROM THE INTERIM CONSOLIDATED STATEMENTS**  
**ATTRIBUTED TO THE COMPANY**

**AS OF SEPTEMBER 30, 2020**

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To  
The Shareholders of Max Stock Ltd.

Dear Madam or Sir,

**Re: Special report regarding review of the standalone financial data  
pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

### **Introduction**

We have reviewed the standalone interim financial information pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of Max Stock Ltd., as of September 30, 2020, and for the nine and three-month period ended on said date. The Company's board of directors and management are responsible for the standalone financial information. Our responsibility is to express our opinion regarding the standalone interim financial information for these interim periods based on our review.

### **Scope of review**

We conducted our review in accordance with the Review Standard (Israel) no. 2410 of the Institute of Certified Public Accountants in Israel regarding "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of the financial information for interim periods consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and of applying analytical and other review procedures. A review has substantially less scope than an audit conducted in accordance with generally accepted auditing standards in Israel and therefore does not allow us the assurance that we would become aware of all significant matters that might have been identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned standalone interim financial information is not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Haifa, Israel  
November 29, 2020

**KOST FORER GABBAY & KASIERER**  
Auditors

**Special Report Pursuant to Regulation 38D**

**Standalone Financial Data and Information from the Interim Consolidated Financial Statements**

**Attributed to the Company**

Hereunder presented the standalone financial data and information attributed to the Company from the group's consolidated financial statements as of September 30, 2020 published in the framework of the periodic reports (hereinafter - the Consolidated Statements), presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

**FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION ATTRIBUTED TO THE COMPANY**

	<b>September 30,</b>		<b>December 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Unaudited</b>		<b>Audited</b>
<b>CURRENT ASSETS</b>	<b>NIS thousands</b>		
Cash and cash equivalents	19,008	12,078	6,769
Short-term deposits	60,500	14,000	-
Customers	43,678	31,236	28,800
Receivables and debit balance	17,747	5,845	9,834
Inventory	52,679	45,646	59,438
Total current assets	193,612	108,805	104,841
<b>NON-CURRENT ASSETS</b>			
Deferred taxes	1,027	722	833
Assets less liabilities attributed to investee companies, including goodwill	56,123	40,015	46,550
Fixed assets, net	10,822	6,380	7,098
Right of use assets	83,312	41,461	87,972
Total non-current assets	151,284	88,578	142,453
	<u>344,896</u>	<u>197,383</u>	<u>247,294</u>
<b>CURRENT LIABILITIES</b>			
Credit from banking corporations and others	48,667	10,000	10,000
Lease liabilities	7,705	4,734	7,996
Liabilities to suppliers and service providers	22,652	14,020	19,612
Creditors and credit balance	16,027	4,273	7,221
Dividend payable	-	14,000	-
Total current liabilities	95,051	47,027	44,829
<b>NON-CURRENT LIABILITIES</b>			
Long term loans from banking corporations	13,417	15,417	12,917
Lease liabilities	80,697	39,653	82,786
Liabilities due to employee benefits	228	108	228
Total non-current liabilities	94,342	55,178	95,931
<b>EQUITY</b>	155,503	95,178	106,534
	<u>344,896</u>	<u>197,383</u>	<u>247,294</u>

The accompanying additional information constitutes an integral part of the standalone financial data and information.

November 29, 2020

Date of approval of the financial statements

Zehavit Cohen  
Chair of Board of Directors

Uri Max  
Director and Co-CEO

Nir Dagan  
CFO

**FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ATTRIBUTED TO THE  
COMPANY**

	Nine-months period ended September 30,		Three-months period ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
NIS thousands					
Revenues from sales	404,845	208,885	107,534	72,778	275,990
Cost of sales	337,998	166,160	86,711	58,112	217,928
Gross profit	66,847	42,725	20,823	14,666	58,062
Selling and marketing expenses	13,919	10,840	5,217	4,888	15,701
Administrative and general expenses	12,412	11,885	5,271	4,331	15,158
Other expenses	4,479	-	4,479	-	-
Operating profit	36,037	20,000	5,856	5,447	27,203
Financing income	(2,633)	(602)	(638)	(213)	(658)
Financing expenses	5,027	1,153	1,548	716	1,592
Financing expenses due to extraordinary transactions	13,276	-	1,446	-	-
Profit before taxes on income	20,367	19,449	3,500	4,944	26,269
Taxes on income	5,715	4,446	1,836	982	5,740
Profit before Company's share in profits of consolidated companies	14,652	15,003	1,664	3,962	20,529
Company's share in profits of consolidated companies	38,537	31,478	18,995	12,509	38,363
Net profit	53,189	46,481	20,659	16,471	58,892

The accompanying additional information constitutes an integral part of the standalone financial data and information.

**FINANCIAL INFORMATION FROM THE INTERIM CONSOLIDATED STATEMENT ON CASH FLOWS ATTRIBUTED TO THE COMPANY**

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	Nine-months period ended September 30, <b>2020</b>		Three-months period ended September 30, <b>2019</b>		Year ended December 31, <b>2019</b>
	<b>Unaudited</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>Audited</b>
	<b>NIS thousands</b>				
<b>Cash flows from current operation</b>					
Net profit attributed to the Company	53,189	46,481	20,659	16,471	58,892
<b>Adjustments required to present the cash flows from current operation:</b>					
<b>Adjustments to the profit or loss items:</b>					
Depreciation and amortizations	5,811	3,549	2,246	1,219	4,731
Financial expenses, net	15,670	551	2,356	503	934
Changes in liability due to employee benefits, net	-	-	-	-	120
Profits of investee companies	(38,537)	(31,478)	(18,995)	(12,509)	(38,363)
Taxes on income	5,715	4,446	1,836	982	5,740
	(11,341)	(22,932)	(12,557)	(9,805)	(26,838)
<b>Changes in asset and liabilities items:</b>					
Decrease (increase) in customers balances	(14,878)	(9,036)	2,219	(1,346)	(6,600)
Decrease (increase) in debtors and debit balances	(1,083)	2,463	(7,715)	26	(1,739)
Decrease (increase) in inventory	6,759	(8,345)	6,326	(3,312)	(22,137)
Increase (decrease) in trade liabilities	3,040	1,676	(3,743)	(1,840)	7,268
Increase in payables and credit balances	8,248	644	3,954	392	1,071
	2,086	(12,598)	1,041	(6,080)	(22,137)
<b>Cash paid and received during the period for:</b>					
Dividends received from investee companies	24,449	27,299	24,449	973	27,299
Interest paid	(4,602)	(764)	(1,548)	(716)	(934)
Interest paid for extraordinary transactions	(13,276)	-	(2,945)	-	-
Taxes paid, net	(4,201)	(4,055)	(1,017)	(1,596)	(5,259)
Total adjustments required to present the cash flows from current operation	(6,885)	(13,050)	7,423	(17,224)	(27,869)
<b>Net cash deriving from (used for) the Company's operations</b>					
	<u>46,304</u>	<u>33,431</u>	<u>28,082</u>	<u>(753)</u>	<u>31,023</u>

The accompanying additional information constitutes an integral part of the standalone financial data and information.

**FINANCIAL INFORMATION FROM THE INTERIM CONSOLIDATED STATEMENT ON CASH FLOWS ATTRIBUTED TO THE COMPANY**

	Nine-months period ended September 30,		Three-months period ended September 30,		Year ended December 31, 2019
	2020	2019	2020	2019	
	Unaudited	Unaudited	Unaudited	Audited	NIS thousands
<b>Cash flows from investing activities</b>					
Purchase of fixed assets	(5,161)	(1,742)	(875)	(712)	(2,706)
Investment in short-term deposits	(60,500)	(14,000)	(20,500)	(14,000)	-
Investment in investee companies	(7,071)	-	(3,724)	-	-
Loans to investee companies, net	1,596	3,311	719	984	4,924
<b>Net cash deriving from investing activities (used for investing activities) of the Company</b>	<b>(71,136)</b>	<b>(12,431)</b>	<b>(24,380)</b>	<b>(13,728)</b>	<b>2,218</b>
<b>Cash flows from financing activities</b>					
Receiving short-term loans from banking corporations	40,000	-	-	-	-
Receiving long-term loans from banking corporations	8,000	20,000	-	-	20,000
Repayment of long-term loans from banking corporations	(8,833)	(5,000)	(3,000)	(2,500)	(7,500)
Repayments of lease liabilities	(2,096)	(2,689)	(1,126)	(968)	(3,739)
Dividend paid	-	(36,000)	-	-	(50,000)
<b>Net cash deriving from financing activities (used for financing activities) of the Company</b>	<b>37,071</b>	<b>(23,689)</b>	<b>(4,126)</b>	<b>(3,468)</b>	<b>(41,239)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>12,239</b>	<b>(2,689)</b>	<b>(424)</b>	<b>(17,949)</b>	<b>(7,998)</b>
<b>Balance of cash and cash equivalents as of the beginning of the period</b>	<b>6,769</b>	<b>14,767</b>	<b>19,432</b>	<b>30,027</b>	<b>14,767</b>
<b>Balance of cash and cash equivalents as of the end of the period</b>	<b>19,008</b>	<b>12,078</b>	<b>19,008</b>	<b>12,078</b>	<b>6,769</b>
(a) <b>Non-cash material activity of the Company</b>					
Recognition and subtraction of a right-of-use asset against a liability for lease	(285)	265	41	(131)	47,711
Investment in investee companies	-	-	-	-	1,271
Dividends receivable	4,621	-	-	-	-
Dividends declared	-	14,000	-	-	-

The accompanying additional information constitutes an integral part of the standalone financial data and information

## **ADDITIONAL INFORMATION**

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### **A. GENERAL**

#### **1. General description of the Company and its operations**

Max Stock Ltd. (hereinafter – "the Company") incorporated in Israel as a private company on December 16, 2004. On November 17, 2015 its name was changed to Max Management Israel Ltd. and on March 10, 2020 its name was changed back to Max Stock Ltd. The Company and its subsidiaries are engaged in retail trade by operating nationwide stores.

On September 14, 2020, the shares of the Company were initially offered to the public through a sale offering and as of September 17, 2020, the shares thereof are traded on the Tel Aviv Stock Exchange Ltd.

2. These standalone statements were prepared in condensed form as of September 30, 2020, and for the periods of nine and three months ended on such date, pursuant to the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The standalone financial information should be reviewed in the context of the Company's annual financial statements as of December 31, 2019 and for the year ended on such date, and the additional information accompanying it (hereinafter - the Consolidated Annual Financial Statements).

### **B. PRINCIPLES OF ACCOUNTING POLICIES**

The accounting policies applied to preparing these standalone statements is consistent with the policies applied in preparing the standalone financial information as of December 31, 2019.

### **C. MATERIAL EVENTS AFTER THE PERIOD OF THE REPORT**

Information regarding significant events was provided in Note 3 of the Consolidated Statements.



## **Changes and innovations in the Company's business during and subsequent to the Reporting Period which are required to be described in the Periodic Report**

**The following terms shall be used in this report:**

**“Company”** - Max Stock Ltd.

**“Max Chain”** or the **“Chain”** - the “discount” retail chain operating under the trade names “Max - Here it’s fun to buy” and “Max 20” which are operated by the Company via subsidiaries and franchises.

**“Financial Report”** - the Company’s consolidated financial report as of September 30, 2020.

**“Periodic Report”** - the Company’s 2019 annual report, published together with the Company’s Prospectus.

**“Prospectus”** or the **“Company’s Prospectus”** - the Company’s prospectus published on September 14, 2020 (Ref. No: 2020-01-092029).

### **1. Update to Section 6.5 of the Prospectus - Investments in the Company's share capital and transactions with its shares**

1.1. **Tender offer and listing on the TASE** - On September 14, 2020, the tender offer of the Company’s shares to institutional investors under the Prospectus was completed and the Company became a public company. Under the tender offer the Company’s share price was NIS 12 per share. For additional details see the Company’s immediate report regarding the results of the institutional tender held on September 16, 2020 (Ref. No: 2020-01-092830). On September 17, 2020, the Company’s shares commenced trade on the Tel Aviv Stock Exchange Ltd. (“TASE”).

On November 19, 2020, TASE announced that at the conclusion of the trading day on December 3, 2020, the Company’s shares will be included

in the following indexes: Tel Aviv-125, Tel Aviv-90, Tel Aviv-SME150, Tel Aviv-Rimon and Tel Aviv-AllShare.

- 1.2. Oversubscription - Further to that set forth in Section 2.5.3 of Chapter 2 of the Prospectus, on September 21, 2020, Jefferies LLC, which served as lead underwriter of the tender offer under the Prospectus (the “**Lead Underwriter**”), informed Moose Holdco Ltd. (“**Moose**”), a controlling shareholder of the Company, of the exercise of the option given to it, to acquire an additional 6,750,000 ordinary shares with no par value of the Company from Moose, which constitute 15% of the quantity of shares offered under the Prospectus, in accordance with the conditions and terms detailed in Section 2.6.5 of the Prospectus. The exercise of the option was completed on September 23, 2020. For additional details see the Company’s immediate reports dated September 22 and 23, 2020 (Ref. No: 2020-01-094918 and 2020-01-095374, respectively).
- 1.3. Securities lockup - Further to that set forth in Section 3.7.10 of Chapter 3 of the Prospectus, on October 21, 2020, the trustee for the lock-up of the Company’s shares held by Moose, Uriah and Iris Ltd. and Uri Max Ltd., to ensure the lock-up provisions under the TASE bylaws and regulations was replaced. The new trustee for the locked-up shares is Altshuler Shaham Trusts Ltd.

## 2. Update of Section 6.17 of the Prospectus - Competition

Shortly after the publication of the Company’s Prospectus, there were media articles and TASE announcements made by Fox Vizel Ltd. (hereinafter: “**Fox Group**”) in September and November 2020, that Fox Group executed agreements to obtain a franchise to operate “Jumbo” retail chain stores and to open a store by the end of 2021 (according to the announcement made by Fox Group) or by the end of 2022 (according to Jumbo’s announcement).

The Company is already operating in an extremely competitive market consisting of many players in each one of its product segments, as set forth in Section 6.17 of Chapter 6 of the Prospectus.

In light of such and in light of the time required to enter the market and establish a national chain store like the Max Chain (which, as of the date of this report, has 50

branches across the country), the Company assesses, that as of the date of this report, the foregoing is not anticipated to have a material impact on the Company's operations.

**MAX STOCK LTD.**

**FINANCIAL DATA FROM THE INTERIM CONSOLIDATED STATEMENTS  
ATTRIBUTED TO THE COMPANY**

**AS OF SEPTEMBER 30, 2020**

**FINANCIAL DATA FROM THE INTERIM CONSOLIDATED STATEMENTS**  
**ATTRIBUTED TO THE COMPANY**

**AS OF SEPTEMBER 30, 2020**

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To  
The Shareholders of Max Stock Ltd.

Dear Madam or Sir,

**Re: Special report regarding review of the standalone financial data  
pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

### **Introduction**

We have reviewed the standalone interim financial information pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of Max Stock Ltd., as of September 30, 2020, and for the nine and three-month period ended on said date. The Company's board of directors and management are responsible for the standalone financial information. Our responsibility is to express our opinion regarding the standalone interim financial information for these interim periods based on our review.

### **Scope of review**

We conducted our review in accordance with the Review Standard (Israel) no. 2410 of the Institute of Certified Public Accountants in Israel regarding "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of the financial information for interim periods consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and of applying analytical and other review procedures. A review has substantially less scope than an audit conducted in accordance with generally accepted auditing standards in Israel and therefore does not allow us the assurance that we would become aware of all significant matters that might have been identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned standalone interim financial information is not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Haifa, Israel  
November 29, 2020

**KOST FORER GABBAY & KASIERER**  
Auditors

**Special Report Pursuant to Regulation 38D**

**Standalone Financial Data and Information from the Interim Consolidated Financial Statements**

**Attributed to the Company**

Hereunder presented the standalone financial data and information attributed to the Company from the group's consolidated financial statements as of September 30, 2020 published in the framework of the periodic reports (hereinafter - the Consolidated Statements), presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

**FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION ATTRIBUTED TO THE COMPANY**

	<b>September 30,</b>		<b>December 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Unaudited</b>		<b>Audited</b>
<b>CURRENT ASSETS</b>	<b>NIS thousands</b>		
Cash and cash equivalents	19,008	12,078	6,769
Short-term deposits	60,500	14,000	-
Customers	43,678	31,236	28,800
Receivables and debit balance	17,747	5,845	9,834
Inventory	52,679	45,646	59,438
Total current assets	193,612	108,805	104,841
<b>NON-CURRENT ASSETS</b>			
Deferred taxes	1,027	722	833
Assets less liabilities attributed to investee companies, including goodwill	56,123	40,015	46,550
Fixed assets, net	10,822	6,380	7,098
Right of use assets	83,312	41,461	87,972
Total non-current assets	151,284	88,578	142,453
	<u>344,896</u>	<u>197,383</u>	<u>247,294</u>
<b>CURRENT LIABILITIES</b>			
Credit from banking corporations and others	48,667	10,000	10,000
Lease liabilities	7,705	4,734	7,996
Liabilities to suppliers and service providers	22,652	14,020	19,612
Creditors and credit balance	16,027	4,273	7,221
Dividend payable	-	14,000	-
Total current liabilities	95,051	47,027	44,829
<b>NON-CURRENT LIABILITIES</b>			
Long term loans from banking corporations	13,417	15,417	12,917
Lease liabilities	80,697	39,653	82,786
Liabilities due to employee benefits	228	108	228
Total non-current liabilities	94,342	55,178	95,931
<b>EQUITY</b>	155,503	95,178	106,534
	<u>344,896</u>	<u>197,383</u>	<u>247,294</u>

The accompanying additional information constitutes an integral part of the standalone financial data and information.

November 29, 2020

Date of approval of the financial statements

Zehavit Cohen  
Chair of Board of Directors

Uri Max  
Director and Co-CEO

Nir Dagan  
CFO

**FINANCIAL INFORMATION FROM THE CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ATTRIBUTED TO THE  
COMPANY**

	Nine-months period ended September 30,		Three-months period ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
NIS thousands					
Revenues from sales	404,845	208,885	107,534	72,778	275,990
Cost of sales	337,998	166,160	86,711	58,112	217,928
Gross profit	66,847	42,725	20,823	14,666	58,062
Selling and marketing expenses	13,919	10,840	5,217	4,888	15,701
Administrative and general expenses	12,412	11,885	5,271	4,331	15,158
Other expenses	4,479	-	4,479	-	-
Operating profit	36,037	20,000	5,856	5,447	27,203
Financing income	(2,633)	(602)	(638)	(213)	(658)
Financing expenses	5,027	1,153	1,548	716	1,592
Financing expenses due to extraordinary transactions	13,276	-	1,446	-	-
Profit before taxes on income	20,367	19,449	3,500	4,944	26,269
Taxes on income	5,715	4,446	1,836	982	5,740
Profit before Company's share in profits of consolidated companies	14,652	15,003	1,664	3,962	20,529
Company's share in profits of consolidated companies	38,537	31,478	18,995	12,509	38,363
Net profit	53,189	46,481	20,659	16,471	58,892

The accompanying additional information constitutes an integral part of the standalone financial data and information.

**FINANCIAL INFORMATION FROM THE INTERIM CONSOLIDATED STATEMENT ON CASH FLOWS ATTRIBUTED TO THE COMPANY**

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	Nine-months period ended September 30, <b>2020</b>		Three-months period ended September 30, <b>2019</b>		Year ended December 31, <b>2019</b>
	Unaudited	Unaudited	Unaudited	Audited	
	<b>NIS thousands</b>				
<b>Cash flows from current operation</b>					
Net profit attributed to the Company	53,189	46,481	20,659	16,471	58,892
<b>Adjustments required to present the cash flows from current operation:</b>					
<b>Adjustments to the profit or loss items:</b>					
Depreciation and amortizations	5,811	3,549	2,246	1,219	4,731
Financial expenses, net	15,670	551	2,356	503	934
Changes in liability due to employee benefits, net	-	-	-	-	120
Profits of investee companies	(38,537)	(31,478)	(18,995)	(12,509)	(38,363)
Taxes on income	5,715	4,446	1,836	982	5,740
	(11,341)	(22,932)	(12,557)	(9,805)	(26,838)
<b>Changes in asset and liabilities items:</b>					
Decrease (increase) in customers balances	(14,878)	(9,036)	2,219	(1,346)	(6,600)
Decrease (increase) in debtors and debit balances	(1,083)	2,463	(7,715)	26	(1,739)
Decrease (increase) in inventory	6,759	(8,345)	6,326	(3,312)	(22,137)
Increase (decrease) in trade liabilities	3,040	1,676	(3,743)	(1,840)	7,268
Increase in payables and credit balances	8,248	644	3,954	392	1,071
	2,086	(12,598)	1,041	(6,080)	(22,137)
<b>Cash paid and received during the period for:</b>					
Dividends received from investee companies	24,449	27,299	24,449	973	27,299
Interest paid	(4,602)	(764)	(1,548)	(716)	(934)
Interest paid for extraordinary transactions	(13,276)	-	(2,945)	-	-
Taxes paid, net	(4,201)	(4,055)	(1,017)	(1,596)	(5,259)
Total adjustments required to present the cash flows from current operation	(6,885)	(13,050)	7,423	(17,224)	(27,869)
<b>Net cash deriving from (used for) the Company's operations</b>					
	46,304	33,431	28,082	(753)	31,023

The accompanying additional information constitutes an integral part of the standalone financial data and information.

**FINANCIAL INFORMATION FROM THE INTERIM CONSOLIDATED STATEMENT ON CASH FLOWS ATTRIBUTED TO THE COMPANY**

	Nine-months period ended September 30,		Three-months period ended September 30,		Year ended December 31, 2019
	2020	2019	2020	2019	
	Unaudited	Unaudited	Unaudited	Audited	NIS thousands
<b>Cash flows from investing activities</b>					
Purchase of fixed assets	(5,161)	(1,742)	(875)	(712)	(2,706)
Investment in short-term deposits	(60,500)	(14,000)	(20,500)	(14,000)	-
Investment in investee companies	(7,071)	-	(3,724)	-	-
Loans to investee companies, net	1,596	3,311	719	984	4,924
<b>Net cash deriving from investing activities (used for investing activities) of the Company</b>	<b>(71,136)</b>	<b>(12,431)</b>	<b>(24,380)</b>	<b>(13,728)</b>	<b>2,218</b>
<b>Cash flows from financing activities</b>					
Receiving short-term loans from banking corporations	40,000	-	-	-	-
Receiving long-term loans from banking corporations	8,000	20,000	-	-	20,000
Repayment of long-term loans from banking corporations	(8,833)	(5,000)	(3,000)	(2,500)	(7,500)
Repayments of lease liabilities	(2,096)	(2,689)	(1,126)	(968)	(3,739)
Dividend paid	-	(36,000)	-	-	(50,000)
<b>Net cash deriving from financing activities (used for financing activities) of the Company</b>	<b>37,071</b>	<b>(23,689)</b>	<b>(4,126)</b>	<b>(3,468)</b>	<b>(41,239)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>12,239</b>	<b>(2,689)</b>	<b>(424)</b>	<b>(17,949)</b>	<b>(7,998)</b>
<b>Balance of cash and cash equivalents as of the beginning of the period</b>	<b>6,769</b>	<b>14,767</b>	<b>19,432</b>	<b>30,027</b>	<b>14,767</b>
<b>Balance of cash and cash equivalents as of the end of the period</b>	<b>19,008</b>	<b>12,078</b>	<b>19,008</b>	<b>12,078</b>	<b>6,769</b>
(a) <b>Non-cash material activity of the Company</b>					
Recognition and subtraction of a right-of-use asset against a liability for lease	(285)	265	41	(131)	47,711
Investment in investee companies	-	-	-	-	1,271
Dividends receivable	4,621	-	-	-	-
Dividends declared	-	14,000	-	-	-

The accompanying additional information constitutes an integral part of the standalone financial data and information

## **ADDITIONAL INFORMATION**

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### **A. GENERAL**

#### **1. General description of the Company and its operations**

Max Stock Ltd. (hereinafter – "the Company") incorporated in Israel as a private company on December 16, 2004. On November 17, 2015 its name was changed to Max Management Israel Ltd. and on March 10, 2020 its name was changed back to Max Stock Ltd. The Company and its subsidiaries are engaged in retail trade by operating nationwide stores.

On September 14, 2020, the shares of the Company were initially offered to the public through a sale offering and as of September 17, 2020, the shares thereof are traded on the Tel Aviv Stock Exchange Ltd.

2. These standalone statements were prepared in condensed form as of September 30, 2020, and for the periods of nine and three months ended on such date, pursuant to the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The standalone financial information should be reviewed in the context of the Company's annual financial statements as of December 31, 2019 and for the year ended on such date, and the additional information accompanying it (hereinafter - the Consolidated Annual Financial Statements).

### **B. PRINCIPLES OF ACCOUNTING POLICIES**

The accounting policies applied to preparing these standalone statements is consistent with the policies applied in preparing the standalone financial information as of December 31, 2019.

### **C. MATERIAL EVENTS AFTER THE PERIOD OF THE REPORT**

Information regarding significant events was provided in Note 3 of the Consolidated Statements.

# **MAX STOCK LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2020**

**UNAUDITED**

## **MAX STOCK LTD.**

### **INTERIM CONSOLIDATED FINANCIAL STATEMENTS** **AS OF SEPTEMBER 30, 2020**

#### **UNAUDITED**

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## **Auditors' review report to the shareholders of Max Stock Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Max Stock Ltd. (hereinafter: "the Company"), which comprises of the condensed consolidated statement of financial position as of September 30, 2020, and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the nine and three-month period ended on said date. The Company's board of directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with the International Auditing Standard (IAS) no. 34 regarding "Interim Financial Reporting", as well as for the preparation of the financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to draw a conclusion regarding the financial information for these interim periods based on our review.

### **Scope of review**

We conducted our review in accordance with the Review Standard (Israel) no. 2410 of the Institute of Certified Public Accountants in Israel regarding "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of the financial information for interim periods consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and of applying analytical and other review procedures. A review has substantially less scope than an audit conducted in accordance with generally accepted auditing standards in Israel and therefore does not allow us the assurance that we would become aware of all significant matters that might have been identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the aforesaid in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not in compliance, in all material respects, with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely yours,

Haifa, Israel  
November 29, 2020

**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30,		December 31,
	2020	2019	2019
	Unaudited	Audited	Audited
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	94,943	57,422	46,057
Short-term deposits	60,500	14,000	-
Customers	66,436	54,428	53,969
Taxes receivable	696	4,769	3,971
Receivables and debit balance	15,667	8,272	11,425
Inventory	106,454	91,795	102,355
	344,696	230,686	217,777
<b>NON-CURRENT ASSETS</b>			
Long-term deposit	160	160	160
Fixed assets, net	45,137	37,945	38,153
Right of use assets	370,334	318,768	370,165
Deferred taxes	7,994	6,243	6,642
	423,625	363,116	415,120
	768,321	593,802	632,897
<b>CURRENT LIABILITIES</b>			
Credit from banks	56,250	17,928	17,251
Lease liabilities	49,758	42,566	47,216
Liabilities to suppliers and service providers	76,562	71,519	59,860
Taxes payable	10,334	2,916	2,234
Creditors and credit balance	32,221	15,873	20,859
Dividend payable	1,816	14,000	-
	226,941	164,802	147,420
<b>NON-CURRENT LIABILITIES</b>			
Loans from banks	22,049	23,252	19,295
Lease liabilities	347,416	297,636	344,162
Liabilities due to employee benefits	1,964	1,422	1,964
	371,429	322,310	365,421
<b>EQUITY</b>			
Equity attributable to company shareholders	155,503	95,178	106,534
Non-controlling rights	14,448	11,512	13,522
Total equity	169,951	106,690	120,056
	768,321	593,802	632,897

November 29, 2020

Date of approval of the financial statements

Zehavit Cohen  
Chair of Board of DirectorsUri Max  
Director and Co-CEONir Dagan  
CFO

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<b>Nine months period ended September 30,</b>		<b>Three months period ended September 30,</b>		<b>Year ended December 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Unaudited</b>				
<b>NIS thousands (except for data of net profit per share)</b>					
Revenues from sales	734,411	562,208	261,970	210,132	741,550
Cost of sales	480,704	340,143	159,519	128,044	448,003
Gross profit	253,707	222,065	102,451	82,088	293,547
Selling and marketing expenses	119,293	123,126	48,624	44,930	167,060
Administrative and general expenses	18,953	18,007	7,789	6,906	24,189
Other revenues	(1,098)	(469)	(596)	(89)	(733)
Other expenses	5,280	1,191	5,280	1,191	1,499
Operating profit	111,279	80,210	41,354	29,150	101,532
Financing income	(2,696)	(642)	(690)	(251)	(601)
Financing expenses	14,434	8,578	4,502	3,283	10,998
Financing expenses due to extraordinary transactions	13,276	-	1,446	-	-
Profit before taxes on income	86,265	72,274	36,096	26,118	91,135
Taxes on income	22,114	16,915	9,932	6,140	20,861
Net profit	64,151	55,359	26,164	19,978	70,274
Other comprehensive profit: Amounts not to be reclassified later for profit or loss:					
Remeasurement of defined benefit plan	-	-	-	-	(278)
Total comprehensive profit	64,151	55,359	26,164	19,978	69,996
Net profit attributable to: Company shareholders	53,189	46,481	20,659	16,471	58,892
Non-controlling rights	10,962	8,878	5,505	3,507	11,382
	64,151	55,359	26,164	19,978	70,274
Total comprehensive profit attributable to: Company shareholders	53,189	46,481	20,659	16,471	58,614
Non-controlling rights	10,962	8,878	5,505	3,507	11,382
	64,151	55,359	26,164	19,978	69,996
<b>Net profit per share attributable to company shareholders (NIS)</b>					
Basic diluted net profit	0.37	0.33	0.15	0.12	0.41

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to company shareholders							
	Share capital	Share premium	Principal due to transactions with non-controlling rights owners	Principal due to re-measuring defined benefit plan	Profit balance	Total	Non-controlling rights
<b>Unaudited</b>							
<b>NIS thousands</b>							
<b>Balance as of January 1, 2020 (audited)</b>	- (*)	<b>36,526</b>	(777)	(112)	<b>70,897</b>	<b>106,534</b>	<b>13,522</b>
Net profit and comprehensive profit	-	-	-	-	53,189	<b>53,189</b>	10,962
Purchase of non-controlling rights	-	-	(4,220)	-	-	(4,220)	(1,580)
Dividend to owners of non-controlling rights	-	-	-	-	-	-	(8,456)
<b>Balance as of September 30, 2020</b>	- (*)	<b>36,526</b>	<b>(4,997)</b>	<b>(112)</b>	<b>124,086</b>	<b>155,503</b>	<b>14,448</b>
Attributable to company shareholders							
	Share capital	Share premium	Principal due to transactions with non-controlling rights owners	Principal due to re-measuring defined benefit plan	Profit balance	Total	Non-controlling rights
<b>Unaudited</b>							
<b>NIS thousands</b>							
<b>Balance as of January 1, 2019 (audited)</b>	- (*)	<b>36,526</b>	-	<b>166</b>	<b>74,311</b>	<b>111,003</b>	<b>12,970</b>
Effect of initial implementation of IFRS 16 in January 1, 2019	-	-	-	-	(12,306)	(12,306)	(2,403)
<b>Balance as of January 1, 2019, following initial implementation (audited)</b>	- (*)	<b>36,526</b>	-	<b>166</b>	<b>62,005</b>	<b>98,697</b>	<b>10,567</b>
Net profit and comprehensive profit	-	-	-	-	46,481	<b>46,481</b>	8,878
Dividend to owners of non-controlling rights	-	-	-	-	-	-	(7,933)
Dividend to company shareholders	-	-	-	-	(50,000)	(50,000)	-
<b>Balance as of September 30, 2019</b>	- (*)	<b>36,526</b>	-	<b>166</b>	<b>58,486</b>	<b>95,178</b>	<b>11,512</b>

(\*) Balance is smaller than NIS 1 thousand.

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to company shareholders							
	Share capital	Share premium	Principal due to transactions with non-controlling rights owners	Principal due to re-measuring defined benefit plan	Profit balance	Total	Non-controlling rights	Total equity
<b>Unaudited</b>								
NIS thousands								
<b>Balance as of July 1, 2020</b>	- (*)	<b>36,526</b>	<b>(4,997)</b>	<b>(112)</b>	<b>103,427</b>	<b>134,884</b>	<b>13,631</b>	<b>148,475</b>
Net profit and comprehensive profit	-	-	-	-	20,659	<b>20,659</b>	5,505	<b>26,164</b>
Purchase of non-controlling rights	-	-	-	-	-	-	-	-
Dividend to owners of non-controlling rights	-	-	-	-	-	-	(4,688)	<b>(4,688)</b>
<b>Balance as of September 30, 2020</b>	- (*)	<b>36,526</b>	<b>(4,997)</b>	<b>(112)</b>	<b>124,086</b>	<b>155,503</b>	<b>14,448</b>	<b>169,951</b>
	Attributable to company shareholders							
	Share capital	Share premium	Principal due to transactions with non-controlling rights owners	Principal due to re-measuring defined benefit plan	Profit balance	Total	Non-controlling rights	Total equity
<b>Unaudited</b>								
NIS thousands								
<b>Balance as of July 1, 2019</b>	- (*)	<b>36,526</b>	-	<b>166</b>	<b>42,015</b>	<b>78,707</b>	<b>8,302</b>	<b>87,009</b>
Net profit and comprehensive profit	-	-	-	-	16,471	<b>16,471</b>	3,507	<b>19,978</b>
Dividend to owners of non-controlling rights	-	-	-	-	-	-	(297)	<b>(297)</b>
<b>Balance as of September 30, 2019</b>	- (*)	<b>36,526</b>	-	<b>166</b>	<b>58,486</b>	<b>95,178</b>	<b>11,512</b>	<b>106,690</b>

(\*) Balance is smaller than NIS 1 thousand.

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to company shareholders													
	Share capital	Share premium	Principal due to transactions with non-controlling rights owners	Principal due to re-measuring defined benefit plan	Profit balance	Total	Non-controlling rights	Total equity						
	Audited													
NIS thousands														
<b>Balance as of December 31, 2018</b>	- (*)	<b>36,526</b>	-	<b>166</b>	<b>74,311</b>	<b>111,003</b>	<b>12,970</b>	<b>123,973</b>						
Effect of initial implementation of IFRS 16 in January 1, 2019	-	-	-	-	(12,306)	(12,306)	(2,403)	(14,709)						
<b>Balance as of January 1, 2019, following initial implementation</b>	- (*)	<b>36,526</b>	-	<b>166</b>	<b>62,005</b>	<b>98,697</b>	<b>10,567</b>	<b>109,264</b>						
Net profit	-	-	-	-	58,892	<b>58,892</b>	11,382	<b>70,274</b>						
Other comprehensive loss	-	-	-	(278)	-	(278)	-	(278)						
Purchase of non-controlling rights	-	-	(777)	-	-	(777)	(494)	(1,271)						
Dividend to owners of non-controlling rights	-	-	-	-	-	-	(7,933)	(7,933)						
Dividend to company shareholders	-	-	-	-	(50,000)	(50,000)	-	(50,000)						
<b>Balance as of December 31, 2019</b>	- (*)	<b>36,526</b>	<b>(777)</b>	<b>(112)</b>	<b>70,897</b>	<b>106,534</b>	<b>13,522</b>	<b>120,056</b>						

(\*) Balance is smaller than NIS 1 thousand.

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months period ended September 30, <u>2020</u>		Three months period ended September 30, <u>2020</u>		Year ended December 31, <u>2019</u>
	<u>2019</u>	<u>Unaudited</u>	<u>2019</u>	<u>Audited</u>	
	<u>NIS thousands</u>				
<b>Cash flows from current operation</b>					
Net profit	64,151	55,359	26,164	19,978	70,274
Adjustments required to present the cash flows from current operation (a)	49,955	37,825	31,362	8,864	26,338
<b>Net cash deriving from current operation</b>	<b>114,106</b>	<b>92,644</b>	<b>57,526</b>	<b>28,842</b>	<b>96,612</b>
<b>Cash flows from investment activities</b>					
Purchase of fixed assets	(13,052)	(8,825)	(4,128)	(2,915)	(10,672)
Consideration from exercise of fixed assets	640	-	640	-	-
Change in short-term deposits	(60,500)	(14,000)	(20,500)	(14,000)	-
<b>Net cash deriving from (used for) investment activities</b>	<b>(72,912)</b>	<b>(22,825)</b>	<b>(23,988)</b>	<b>(16,915)</b>	<b>(10,672)</b>
<b>Cash flows from financing activities</b>					
Receipt of long-term loans from banks	17,500	26,000,	3,000	3,000	26,000
Receipt of short-term loans from banks	40,000	-	-	-	-
Repayment of long-term loans from banks	(15,747)	(10,923)	(5,489)	(4,637)	(15,558)
Repayment of leasing payments	(20,350)	(22,101)	(8,228)	(7,527)	(30,953)
Dividend paid to owners of non-controlling rights	(6,640)	(13,113)	(6,640)	(2,870)	(13,112)
Dividend paid to company shareholders	-	(36,000)	-	-	(50,000)
Purchase of non-controlling rights	(7,071)	-	(3,724)	-	-
<b>Net cash deriving from (used for) financing activities</b>	<b>7,692</b>	<b>(56,137)</b>	<b>(21,081)</b>	<b>(12,034)</b>	<b>(83,623)</b>
<b>Increase (decrease) in cash and cash equivalents</b>					
	48,886	13,682	12,457	(107)	2,317
<b>Cash and cash equivalents balance as of the beginning of the period</b>	<b>46,057</b>	<b>43,740</b>	<b>82,486</b>	<b>57,529</b>	<b>43,740</b>
<b>Cash and cash equivalents balance as of the end of the period</b>	<b>94,943</b>	<b>57,422</b>	<b>94,943</b>	<b>57,422</b>	<b>46,057</b>

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months period ended September 30,		Three months period ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
NIS thousands					

(a) Adjustments required to present the cash flows from current operations**Adjustments to the profit or loss items:**

Depreciation and amortizations	31,703	28,682	11,772	9,517	38,891
Financial expenses, net	25,014	7,936	5,258	3,032	10,397
Profit from reduction of lease liability	(1,098)	(469)	(596)	(89)	(733)
Changes in liability due to employee benefits, net	-	-	-	-	264
Taxes on income	22,114	16,915	9,932	6,140	20,861
Capital loss	801	1,191	801	1,191	1,499
	78,534	54,255	27,167	19,791	71,179

**Changes in asset and liabilities items:**

Decrease (increase) in customers	(12,467)	(11,098)	1,166	(9,251)	(10,639)
Decrease (increase) in debtors and debit balances	(2,034)	3,163	(8,031)	(51)	(203)
Decrease (increase) in inventory	(4,099)	(16,381)	3,880	(1,907)	(26,941)
Increase in liabilities to suppliers and service providers	16,702	33,071	11,118	8,049	21,412
Increase in payables and credit balances	12,676	658	7,429	1,799	4,391
	10,778	9,413	15,562	(1,361)	(11,980)

**Cash paid and received during the period for:**

Interest paid	(13,947)	(8,149)	(4,450)	(3,245)	(10,396)
Interest paid for extraordinary transactions	(13,276)	-	(2,945)	-	-
Taxes paid, net	(12,134)	(18,234)	(3,972)	(6,321)	(22,465)
Total adjustments required to present the cash flows from current operation	49,955	37,285	31,362	8,864	26,338

**(b) Material non-cash activity:**

Dividend announced	1,816	14,000	-	-	-
Recognition and reduction of asset's right of use against a lease liability	28,743	45,646	20,845	32,084	105,939
Purchase of non-controlling rights in credit	-	-	-	-	1,271

The accompanying notes are an integral part of the Interim Consolidated Financial Statements.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1: GENERAL****A. General Description of the Group and the Operation thereof**

Max Stock Ltd. (hereinafter: "the Company") was incorporated in Israel as a private company in December 16, 2004. In November 17, 2015, its name was changed to Max Management Ltd., and in March 10, 2020, its name was changed back to Max Stock Ltd. Since its inception, the Company has been engaged in retail trade by operating a chain of 'discount' stores under the name "Max – Shopping Is Fun" and "Max 20" for a wide variety of home products for attractive prices nationwide. The Company operates branches throughout the country through subsidiaries and franchisees.

On September 14, 2020, the shares of the Company were initially offered to the public through a sale offering and as of September 17, 2020, the shares thereof are traded on the Tel Aviv Stock Exchange Ltd. (for further details, see Note 4M).

**B. These financial statements have been prepared in a condensed format as of September 30, 2020, and for the nine and three-month periods ending at said date (hereinafter: "Interim Consolidated Financial Statements"). These financial statements should be read in conjunction with the Company's annual financial statements as for December 31, 2019, and for the year ending at said date and the accompanying notes thereto (hereinafter: "the Annual Consolidated Financial Statements").**

**NOTE 2: MAIN ACCOUNTING POLICIES****A. Format of Preparation of the Interim Consolidated Financial Statements**

The Interim Consolidated Financial Statements are prepared in accordance with the International Auditing Standard (IAS) no. 34 regarding Interim Financial Reporting, as well as in accordance with the disclosure instructions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The accounting policy used for the preparation of the Interim Consolidated Financial Statements is consistent with that used for the preparation of the Annual Consolidated Financial Statements, with the exception of the stated hereunder.

**B. First Implementation of Amendments to Existing Accounting Standards****1. Amendment of IFRS 3 – *Combinations of Businesses***

In October 2018, the International Accounting Standards Board (IASB) has published an amendment to the definition of "Business" in the International Financial Reporting Standard (IFRS) no. 3 regarding "Combinations of Businesses" (hereinafter: "the Amendment").

The Amendment includes a clarification such that in order to be regarded as a "Business", a system of activities and properties purchased shall include at least material input and process that together contribute significantly to the ability to create outputs. In addition, the Amendment clarifies that a business can exist even without any such inputs and processes required to create outputs. The Amendment includes an optional test according to which a company can determine that it is not engaged in the purchase of a business, without having to apply further examinations.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2: MAIN ACCOUNTING POLICIES (Cont.)****B. First Implementation of Amendments to Existing Accounting Standards (Cont.)****1. Amendment of IFRS 3 – Combinations of Businesses (Cont.)**

The Amendment was initially implemented on combinations of businesses and transactions to purchase properties the purchase date of which is as of January 1, 2020, or thereafter.

The initial implementation of said Amendment is not expected to have any material effect on the Company.

**2. Amendment of IFRS 16 – Leases**

With respect to the Coronavirus crisis, the International Accounting Standards Board (IASB) has published in May 2020 an amendment of the International Financial Reporting Standard (IFRS) no. 16 regarding "Leases" (hereinafter: "the Amendment").

The purpose of said Amendment is to allow lessees to implement a practical relief such that changes in leasing fees as a result of the Coronavirus crisis shall not be treated as lease amendments but as variable leasing fees. The Amendment shall only apply to the part of the lessees.

The Amendment shall only be applied with regard to changes in leasing fees which meet the following three criteria, **accumulatively**:

- The updated future leasing payments are material equal to or lower than the payments that the lessee would have been required to pay prior to the update;
- The reduction of the leasing payments is for payments that refer to the period ending on June 30, 2021; and
- No material change has been made with regard to any other term of the leasing agreement.

The Amendment shall be implemented for annual periods starting on June 1, 2020, and shall apply retroactively with an early implementation option.

The Company has chosen to implement the Amendment in such early implementation and to apply it to all the changes in leasing payments that derived from the Coronavirus crisis. Thus, considering a waiver received on leasing payments for April in the amount of approximately NIS 1.5 million, the Company has recognized during the nine-month period ending on September 30, 2020, a reduction of the depreciation expenses in said amount which was included in the Sales and Marketing Expenses item.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 3: BREAKDOWN OF REVENUES FROM THE MAIN PRODUCT CATEGORIES OF THE COMPANY**

	Nine months period ended September 30		Three months period ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
NIS thousands					
Office and school supplies	62,337	62,904	44,192	43,815	72,568
Toys and baby products	72,980	68,088	30,416	24,384	85,570
Disposable utensils and party products	55,692	55,492	22,692	19,409	73,316
Homeware	157,615	147,182	66,528	54,607	194,686
Others	208,458	191,577	78,648	55,197	266,012
	<b>557,082</b>	<b>525,243</b>	<b>242,476</b>	<b>197,412</b>	<b>692,152</b>

**NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD****A. Impact of the Coronavirus Spread on the Group's Activity**

During the first quarter of 2020, the COVID-19 virus ("the Virus" or "the Coronavirus") has broken out in China, and subsequently started to spread in many countries in the world, including Israel. The Virus's spread has wide-scale macro- and micro-financial effects, which naturally materially affect the chain's activity. The Virus's spread has caused, *inter alia*, a disruption of the supply chain, a reduction in the scope of global transportation, restrictions of mobility and employment imposed by the Israeli government and many governments in the world, and depreciations of financial assets and goods in the Israeli and global markets. Furthermore, in accordance with the instructions of the Israeli government, toward the end of the first quarter and the beginning of the second quarter of 2020, the operation of places of business was forbidden or restricted, the presence of the workforce in workplaces was significantly limited, the education system was shut down, and restrictions were imposed on exiting residential homes. In accordance therewith, the operation of the stores of the Company was closed at the end of the first quarter and was reopened on April 19, 2020 under restrictions imposed by the Israeli government and the economic activity was restored in stages during April-May 2020, under the terms of the "Purple Label" (including the mandatory wearing of masks in the stores, installation of Plexiglas dividers at the checkout points, limiting the number of people in each store in accordance with the ratio specified in the regulations and prevention of crowding).

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****A. Impact of the Coronavirus Spread on the Group's Activity (Cont.)**

Toward the end of the second quarter of 2020 as well as during the third and fourth quarter 2020, there was a second outbreak and a further spread of the Virus occurred, which lead to additional restrictions imposed by the government. Meanwhile, on September 13, 2020, the Government of Israel announced the imposition of additional new restrictions starting on September 18, 2020, which included the re-closure of commerce, home leaving restrictions and the closure of the education system (hereinafter: the "**Additional Closure**"). Despite the restrictions, the stores of the Company continued to operate during the Additional Closure period, in accordance with the provisions of the regulations which permitted the continued operation of vital businesses and other businesses defined in the regulations. As of the approval date of the Financial Statements, part of the restrictions have been lifted, including the restoration of activity of street shops and shopping centers (under certain restrictions), the opening of green tourist islands in Eilat and the Dead Sea, as well as part of the education system; however, most of the trading activity in Israel has not yet been allowed to open.

**Impact on the Company's Stores and Employees**

On March 15, 2020, the Israeli government's instructions according to the Emergency Regulations came into effect, in order to deal with the Coronavirus crisis and to prevent the Virus's spread in Israel. Accordingly, the chain has reduced its activity in all the stores, including reducing the operation hours and sending employees to a leave of absence, until in March 26, 2020, in accordance with further restrictions imposed according to the Regulations, the chain has shut down all its branches and sent all the store employees in the chain to a leave of absence, until April 18, 2020 ("the Chain Shut Down Period").

At the beginning of the Chain Shut Down Period, the chain has operated a limited number of stores using deliveries made directly from the stores to the customers, ordered by phone calls or WhatsApp messages, but this activity was also shut down in March 31, 2020, due to the tightening of the restrictions imposed and the low sales volume which did not justify the continuation of such operation of stores. During the Chain Shutdown Period, the chain has suffered significant damages, since it had no income. At the same time, the chain has notified all its lessers that due to the shutdown of the chain's stores, the leasing fees shall not be paid during April, and the Company has stopped the leasing payments. Upon the chain's return to activity, the Company has reached agreements with all the lessers regarding partial payment of the leasing fees for April 2020 (for further details, see Note 2). Moreover, in order to reduce the damage to the Company's income during the Chain Shutdown Period, the Company pursued the import of medical equipment required at such times, such as disposable face masks, coveralls, non-contact thermometers, etc. The customers to whom the products were sold were from the institutional market, such as governmental authorities and hospitals. The aforesaid import activity has provided minor compensation to the significant loss of profit as a result of the shutdown of the chain's stores. Similar products which are currently being sold in the chain's stores are not part of this inventory but were imported separately as part of the Company's regular course of business. In addition, some of the subsidiaries in the group have received compensation in the format of participation in fixed expenses as part of the third section of the special governmental assistance for businesses.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****A. Impact of the Coronavirus Spread on the Group's Activity (Cont.)**

Upon publication of relieving the restrictions imposed according to the Emergency Regulations, as of April 19, 2020, the chain of stores has returned to activity under the new restrictions and the terms of "the Purple Standard" imposed to ensure public health, as published by the government, and the Company gradually returned to its routine activities. In May 15, 2020, most of the chain's employees were returned from their leave of absence, except for employees who belong to high-risk groups and/or have special circumstances and requested to extend said leave of absence. As of the approval date of the Financial Statements, all the chain's employees have been returned from their leave of absence.

On September 13, 2020, the Government of Israel announced the imposition of an Additional Closure from September 18, 2020 to October 11, 2020. As of the approval date of the Financial Statements, part of the restrictions of the Additional Closure has been cancelled; however, the majority of the trading activity in Israel is still closed. As part of the Additional Closure, the operations of the chain are continuing in full format, subject to the published guidelines.

It shall be noted that the spread of the Coronavirus is an event that by its quality and nature, the scope and the effects thereof are to be frequently examined and changing over time, and that the Company has no control over them; therefore, the information, the data, and the chain's preparation as aforesaid in this report are based on the information available to the Company as of the approval date of the Financial Statements.

**B. In January 30, 2020, the Company has taken a loan from banks in the amount of NIS 8 million, carrying an annual interest at the rate of Prime+0.223%. Said loan shall be repaid over the course of the next 4 years. In addition, during the period ending on September 30, 2020, the Company took short-term loans which as of the date of the Statement on the Financial Position, amount to a total of NIS 40 million and are deposited as short-term deposits.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****C. Transactions to Sell Protective Equipment**

Pursuant to the outbreak of the Coronavirus and the effects thereof in Israel, a great need and high demand for protective equipment against the Virus for the general public and large institutional entities, including hospitals and governmental institutions, were created. Due to a shortage in such protective equipment, including face masks, robes, and coveralls (hereinafter: "the Protective Equipment"), during March-April 2020, the Company has engaged in three (3) transactions to purchase and import the Protective Equipment. As part of these transactions, third parties, including persons of interest in the Company (hereinafter: "the Additional Financers"), has provided loans in order to complete the financing required for the execution of said transactions, and the Company has been the executor of the transactions, including purchasing the Protective Equipment from the Company's suppliers abroad, transporting the Protective Equipment by air to Israel, storing them and selling them to third parties. The customers of these transactions were mostly institutional and security entities. The Additional Financers were entitled to a refund and a return on the loans provided (hereinafter: "Commissions"), determined according to the outcomes of the transaction and according to their relative share in the provisions of the total financing of the transaction. The aforesaid amount of the Commissions was included in the Financing Expenses item in the Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income.

As of the date of the Statement on the Financial Position, all the equipment was sold and supplied to the customers, and the Company no longer has any inventory of Protective Equipment.

All loans from the Additional Financers were repaid together with the fees.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****C. Transactions to Sell Protective Equipment (Cont.)**

The following are the main operating results as included in the Consolidated Interim Statement of Income and Other Comprehensive Income for the nine months ended September 30, 2020:

	<u>S thousands (unaudited)</u>
Revenues from sales (1)	124,800
Cost of sales	110,456
Gross profit	<hr/> 14,344
Fees related to financing expenses (2)	13,276
Profit attributable to the company	1,068

1. In one of the transactions described in this section, merchandise was sold to a third party from an African country. The recognition of this income was based on the Company's assessment regarding the most probable amount expected to be received from the customer considering the financial circumstances of said country and their impact on the customer's ability to pay the consideration set forth in the contract. As of September 30, 2020, and the approval date of the Financial Statements, an amount of NIS 16,560 thousand out of the consideration undertaken to be paid. As aforesaid, income was not recognized with regard to said amount. The Company estimates that the aforesaid amount will not be received.
  
2. The share of interested parties as Additional Financers in the Commissions amounted to a total loss of NIS 50 thousand.

**D. Guarantees and Pledges**

With regard to the foregoing in Note 15 to the Annual Consolidated Financial Statements of the Company, during May 2020, the shareholders have reached an agreement with the bank to remove the personal guarantees provided by them, against the creation of a general current pledge on the Company's properties. During the report period, the personal guarantees have been removed and a general current pledge on the Company's properties was created. Subsequent to the date of the statement of financial position, the Company reached an agreement with the banking corporation on the removal of the permanent pledge.

**E. Purchase of Shares from Owners of Non-Controlling Rights**

On June 30, 2020, the Company has signed agreements to purchase minority holdings of owners of non-controlling rights in some of the Company's subsidiaries. The consideration for said purchases amounted to a total of NIS 5,800 thousand. The difference in the amount of NIS 4,220 thousand between the amount paid and the book value of the minority rights as of the transaction execution date is attributed to the principal due to transactions with non-controlling rights owners.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****F. Options to Purchase Shares from Owners of Non-Controlling Rights**

During the third quarter of 2020, the Company has signed agreements with the owners of non-controlling rights in the Company's subsidiaries (with the exception of one subsidiary), according to which the Company shall have an option to purchase the shares held thereby, according to an agreed-upon multiplier on their share in the net profit.

**G. Employee Options Plan**

On August 10, 2020, the Board of Directors of the Company adopted an Options Plan (non-tradable) for the employees and officers of the Company which was submitted to the Deductibles Assessment Officer of the Company for approval on September 3, 2020, such that it will be in accordance with the trustee track capital gain track in accordance with Article 102 (b) (2) and 102 (b) (3) of the Income Tax Ordinance (new version), 1961. The exercise price of the options for an offeree whose tenure in the Company is prior to the completion of the tender offer of the Company will be determined based on the value of the Company at the latest between the date of the initial investment of Moose Holdco Ltd. in the Company (July 2017) or the date of the start of the employment thereof or the start of the term of the offeree in the Company. The exercise price of the options for an offeree whose tenure in the Company is following the completion of the sale offer in the Company will be determined as a weighted average of the share price of the Company on the stock exchange in the past thirty (30) days prior to date of approval of the grant thereof by the Board of Directors.

According to the company's Compensation Policy, the period required for the full vesting of a capital remuneration to be granted to an officer shall be at least 5 years from the date of the granting thereof or from an earlier date (as determined by the Board of Directors of the Company), which shall not be prior to start of the date of employment of the employee, in equal or non-equal tranches. In addition, it will not be possible to exercise the options within the period of the first 12 months following the date of completion of the tender offer of the Company.

On November 29, 2020, the Board of Directors of the Company resolved to allot 2,320,964 options (non-tradable) to 27 employees and officers of the Company as well as to one Director in addition.

The allotment of 2,320,964 options (non-tradable) can be exercised for up to 2,320,964 shares.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****G. Employee options plan (Cont.)**

In accordance with the terms of the allotments approved for employees and officers, the vesting period of the aforesaid options is five (5) years, and the commencement thereof prior to the grant date is as specified below:

1. For employees and officers who were employed by the Company prior to July 2017 - the vesting period is from July 2017;
2. For employees and officers who were employed by the Company after July 2017 - the vesting period in the Company is from the date of the employment thereof.

The Board of Directors has resolved that although the Compensation Policy stipulate that the first exercise date of the options shall be 12 months after the tender offer, the first exercise date of the options (the relative share thereof, in accordance with the distribution of the tranches during the vesting period) shall be 24 months after the tender offer, i.e September 2022, and therefore the employees and officers, as mentioned in section 1 above, may exercise 100% of their options.

The fair value of the allotted options was determined in accordance with the Black & Scholes model and amounted to NIS 29,110,443. This value is calculated on the basis of the following assumptions:

The share price for the calculation - NIS 14.40;

The exercise price in the range between NIS 1.60 and NIS 4.90;

The average standard deviation in the range (by comparison companies) 52.36% - 53.47%;

The average risk-free interest rate is between 0.43% -0.61% (based on NIS government bonds);

The total expenditure that will be accounted in the future in the financial statements for the plan is approximately NIS 29 million, that will be imputed in the statements starting from the Board's resolution of the allotment until September 30, 2022, excluding non-material amount that will be accounted to the employees and officers that are mentioned in section 2 above, the periods afterwards.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****H. Announcement of Dividend Distributions to Owners of Non-Controlling Rights**

During the reported period, dividend distributions to owners of non-controlling rights were announced in the subsidiaries of the Company in a total amount of approximately NIS 8,456 thousand, out of which approximately NIS 1,816 thousand has not yet been paid.

Subsequent to the date of the statement of financial position and as of the date of the approval of the financial statements, dividend distributions were announced for the owners of non-controlling rights in the subsidiary of the Company in the amount of approximately NIS 150 thousand.

**I. Contingent Claim Update**

1. Further to the foregoing in Note 15B to the Annual Consolidated Financial Statements for 2019, a mediation proceeding between the parties took place in June 24, 2020, but it ended unsuccessfully. Since the proceeding is still in preliminary stages, this claim's chances of success or the financial risk entailed therein cannot yet be estimated.
2. Further to the foregoing in Note 15D to the Annual Consolidated Financial Statements for 2019, in May 25, 2020, the parties signed a settlement agreement, which regulates the manner of use of the parties' trademarks. The Company and the third party have withdrawn the objections filed thereby and the Company's trademarks have been registered.
3. On August 11, 2020, the Company as well as a number of the subsidiaries and franchisees thereof, as well as a number of suppliers, were served with a class action lawsuit filed in the District Court in an estimated amount of approximately NIS 17 million. The claim of the plaintiffs is that the Company sold products the instructions for use of which plus the accompanying warnings were in a foreign language and were not been translated into Hebrew, contrary to the Consumer Protection Law, 1981, thereby neglecting a potential group of plaintiffs, enriching themselves at the expense thereof and undermining the autonomous desire of the customers thereof. A preliminary hearing with regard to the application is scheduled for March 24, 2021. In the opinion of the legal counsel of the Company, due to the preliminary stage in the case, it is not possible assess the outcome of the lawsuit.

In respect of the claims set forth above, and in the opinion of the management of the Company, the Company recorded a suitable provision to cover the contingent liabilities

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****I. Contingent Claim Update (Cont.)**

4. On September 10, 2020, a letter of demand was sent to the Company, to Uri Max and Uri Max Ltd. (hereinafter jointly in this section: "Uri Max"), by one of the Additional Financers in the protective equipment sale transaction (see Note 28C). The letter raises claims against the Company and against Uri Max with regard to various violations, which are denied by the Company and by Uri Max, of the protection equipment agreements, including in connection with the settlement of accounts between the parties pursuant to the agreements. In the letter of demand it is claimed that all the Additional Financers (except stakeholders) are due an amount of approximately NIS 9.6 million from the Company and out of this amount the share of the claimants is approximately NIS 3.8 million.

On September 11, 2020, the parties reached agreement whereby the Additional Financers withdrew all their claims against the Company against a payment of approximately NIS 2.6 million, and against Uri Max, against a payment to be made thereby in the amount of NIS 580,000. The effect of the payment which was made by the Company on the results of the operations for the three months period ended September 30, 2020, thereof will amount to approximately NIS 1.6 million. The aforesaid amount is included in the financing expenses item in the Consolidated Statements on Profit or Loss and Other Comprehensive Income.

**J. Transactions with related parties**

On August 30, 2020, the Board of Directors of the Company approved an agreement with a third party which holds a real estate property for the purpose of operating a new branch of the chain on that same property during 2021. An interested party in the Company holds 50% of the share capital of the third party. The payment of the rental fees will be performed in accordance with customary market terms.

**K. Shares split**

On September 1, 2020, a decision was made to split the share capital of the Company such that each ordinary share of the Company was split into 3,227.77 shares with no face value and in accordance therewith the issued and paid-up share capital is 142,344,680 instead of 44,100 which was the amount prior to the split. In accordance therewith, the earnings per share were calculated retrospectively in all the reporting periods.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTED PERIOD (Cont.)****L. Management agreement with a company of the controlling shareholder**

Further to the foregoing in Note 27 (1) (c) in the 2019 consolidated annual financial statements, as of September 2020, a new management agreement with a company of the controlling shareholder entered into force, in accordance with which the controlling shareholder will be paid quarterly management fees in the amount of NIS 500,000, inter alia, for various director and consultant services. The management services will be provided by the controlling shareholder or by the assignment of undertakings pursuant to the management agreement thereof, as specified in the management agreement. The management agreement will be valid for a period of 5 years and will then be automatically renewed for periods of 3 years each, subject to the receipt of approvals required by law. In addition, an early cancellation mechanism has been established in the event that the controlling shareholder's holdings of shares in the Company drop below the holding rate specified in the agreement.

**M. Registration of the shares of the Company for trading on the Stock Exchange**

On September 14, 2020, the shares of the Company were initially offered to the public by way of a put offer for trading on the Tel Aviv Stock Exchange Ltd. in accordance with an Offering Prospectus and Shelf Prospectus and the Company became a public company. An amount of 142,344,680 ordinary shares with no par value were registered out of which 45,000,000 shares were sold by the controlling shareholders. The shares which were sold constitute 31.61% of the issued and paid-up share capital of the Company and of the voting rights therein.

On September 21, 2020, the underwriter in the offering pursuant to the Prospectus (hereinafter: the "Underwriter") notified the controlling shareholder in the Company of the exercise of the option provided thereto to acquire therefrom an additional amount of 6,750,000 ordinary shares with no par value of the Company. Upon completion of the transaction, the percentage of shares sold constitutes 36.36% of the issued and paid-up share capital of the Company and the voting rights therein.

The issuance expenses incurred by the Company totaled an amount of approximately NIS 4,481 thousand and are included in the Other Expenses item in the Consolidated Statements on Profit or Loss and Other Comprehensive Profit for the nine months period ended September 30, 2020.