This is an English translation of a Hebrew immediate report that was published on August 16, 2022 (Ref. No:2022-01-083901 (hereinafter: the "**Hebrew Version**")). This English version is only for convenience purposes. This is not an official translation and has no binding force. Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the Hebrew Version. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.

August 16, 2022

Max Stock Ltd.
(the "Company")

Attn:
The Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem 95464
www.isa.gov.il

Attn:
The Tel Aviv Stock Exchange Ltd.
2 Ahuzat Bayit Street
Tel Aviv 6525216
www.tase.co.il

Dear Madame and/or Sir,

Re: Execution of a binding agreement to establish a Max Stock chain of stores in Portugal and Spain

Further to that set forth in Section 1.29.1 of the Company's 2021 annual report[1], regarding the Company executing a memorandum of understanding with a local partner in Portugal to establish a joint venture with the objective of establishing and managing a Max Stock chain of stores in Portugal and Spain (the "**Portugal Transaction**"), the Company is pleased to make the following announcement:

On August 15, 2022, the Company's board of directors approved for the Company to enter into the Portugal Transaction with the local partner, Fortera Properties, LDA ("**Fortera**")[2] to establish a Max Stock chain of stores in Portugal and Spain, *inter alia*, in accordance with the principles detailed below in this report.

Purpose of the Transaction

The establishment of a common company in Portugal (the "**Common Company**"), which shall be jointly held by the Company (75%) and Fortera (25%), for the purpose of establishing and managing the Max Stock chain of stores in Portugal and Spain. According to the business plan,

[1] As published on March 23, 2022 (Ref. No: 2022-01-028347).
[2] A private company incorporated in Portugal, owned by Messrs. Elad Dror and Nir Shalom.

the chain of stores will first operate in Portugal and may also subsequently expand to Spain, as decided upon by the parties and the board of directors of the Common Company.

The Portuguese Market

The discount stores in Portugal are estimated to constitute 15%-18% of the total retail market (both food and non-food), a relatively low rate for Europe, which presents an opportunity for growth. The non-food segments in which the Company operate are estimated to be about Euro 12 billion. Most purchases in Portugal are made offline.

Portugal has a population of approximately 10 million residents. Spain, the neighboring country, presents another significant potential for expansion based on the same supply-chain, with a population of approximately 47 million residents, and with more than 100 million tourists annually.

To the best of the Company's knowledge, as of the date of the report, Europe's largest discount players have not yet entered into the Portuguese market, and the supply of discount stores in Spain is currently primarily controlled by private, non-chain, various size street stores, along with large grocery chains which also sell non-food products.

The Company is of the opinion that the untapped market potential, together with Portugal's relatively low GDP and minimum wage, creates a potential for significant demand in the discount retail market, along with relatively low employee wage costs.

The Company has assessed that the Company's significant experience, both with importing and supply-chain management, as well as with managing discount retail stores, together with the data about Portugal's untapped market, creates a real commercial opportunity for the Company to develop another operating segment outside of Israel, on the basis of its advantages and strengths, and in accordance with the Company's strategy and targets, as set forth in Section 1.29 of the Company's 2021 annual report.

The information regarding the growth potential of the Spanish and Portuguese markets and the demand in the discount retail market, as well as regarding the opportunity for the Company with the transaction, constitutes forward-looking information, as defined in the Israel Securities Law, 1968. This information is not certain and is based upon assessments made by the Company's management, its commercial experience in its operating segments and the information held by the Company as of the publication date of this report. Accordingly, the

information presented above, may actualize, in whole or in part, in a materially different manner than what has been forecasted, as a result of factors not within the Company's control, or due to the manifestation of one or more of the Company's risk factors as described in Section 1.31 of Chapter A of the 2021 annual report.

Presented below are the principal terms of the agreement between the Company and the local partner:

1. Financing the transaction - according to the business plan, the initial financing required for the establishment, maintenance, development and operation of the Common Company, including the purchase of the initial inventory and establishment of stores, is for a total amount of up to EUR 5 million (the "**Initial Financing**"). The Initial Financing shall be provided by the Company (87.5%) and Fortera (12.5%), subject to milestones established in the business plan. The Company shall also provide Fortera with a loan for Fortera's share in the Initial Financing, which is immaterial, for the provision of the Initial Financing to the Common Company.

   After utilization of all of the Initial Financing, and if required based on the commercial progress made by the Common Company, the Common Company shall turn to external sources for additional financing (beyond the Initial Financing). In the event that the Common Company fails to obtain additional financing, then the additional financing shall be provided by the parties, pursuant to their rate of holdings in the Common Company.

2. Management of the Common Company

   The Common Company shall be controlled by the Company, which shall have the right to appoint the majority of its directors. The Company shall also have the right to appoint the general manager of the Common Company (provided that it holds at least 50% of the Common Company). Fortera shall have veto rights over special resolutions stipulated in the transaction, including the issuance of shares, interested party transactions and particular changes to the business plan.

   Fortera shall provide the Common Company with managerial support, including negotiating commercial agreements on behalf of the Common Company, legal and regulatory aspects, strategy, tax and accounting services.

3. Shareholder rights; distribution - restrictions have been established in the transaction on the transfer of shares, including a lock-up period, the Company having a right of first refusal, Fortera having a tag-along right and the Company having a bring-along right. The transaction also stipulates a policy for the distribution of profits of the Common Company, and an initial period (of two years or until full repayment of the Initial Financing, the later of the two) in which no dividends shall be distributed.

4. Non-competition - the transaction includes an undertaking made by Fortera for an agreed-upon period and subject to a particular holding rate and the right to appoint directors, whereby Fortera shall not compete or be an interested party in a company competing against the commercial activities of the Common Company in Portugal, Israel, Spain and any other territory in which the Common Company shall operate, subject to Fortera's existing activities as of the execution date of the agreement.

Respectfully,

Max Stock Ltd.

By: Ori Max, CEO and director