



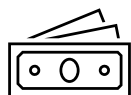
MAX STOCK LTD.

H1/2023 FINANCIAL REPORTS



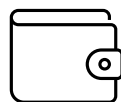
MAX STOCK HIGHLIGHTS

FIRST SIX MONTHS OF 2023



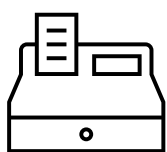
532M₪

Revenue



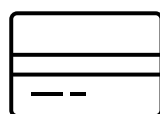
60M₪

Dividend paid



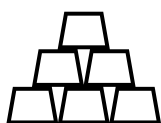
5.7%

% Increase in revenue



48%

Increase in EPS attributable to shareholders



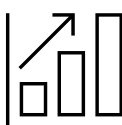
68M₪

operating profit



59

Branches throughout Israel (**)



67M₪

Adjusted EBITDA (*)



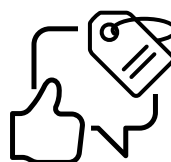
2

Branches in Portugal (**)



42M₪

Net profit



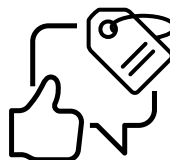
59.3K

NET OWNED SqM in Israel (**)



0.27₪

EPS attributable to shareholders



2.5K

NET OWNED SqM in Portugal (**)

(*) Pre IFRS-16 and stock-based compensation

(**) AS OF JUNE 30, 2023



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- **CHAPTER C** - INTERIM CONSOLIDATED FINANCIAL STATEMENT AS OF JUNE 30, 2023
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Chapter A

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UPDATES TO DESCRIPTION OF COMPANY'S BUSINESS AFFAIRS





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

In this report, the following terms shall mean:

“Company” - Max Stock Ltd.

“Max Chain” or the “Chain” - the ‘discount’ retail chain operating under the trade names “Max - Fun Shopping” and “Mini Max”, which are operated by the Company through subsidiaries and franchises.

“Financial Report” - the Company's consolidated financial statements as of June 30, 2023.

“Periodic Report” - the Company's 2022 annual report, published on March 20, 2023 (Ref. No: 2023-01-024388).

1. Update to Section 1.3 of the Periodic Report - Company's activities and a description of the development of its business affairs

Update to Section 1.3.1 - General

1.1. As of the date of the report and as of its publication date, the Chain has 59 branches. In the Reporting Period, owned stores were opened in Mishor Adumim and Gush Etzion while franchised stores were opened in Tel Aviv and Akko. Additionally, the Chain's store on Yad Charutzim street in Talpiot closed and an owned store in Kiriatt Ata was sold to a franchisee.

1.2. In May 2023, the Company opened its first store in Portugal with a gross area of approximately 2,200 sqm in the city of Braga, Portugal.

In June 2023, the Company opened its second store in Portugal with a gross area of approximately 720 sqm in the city of Porto, Portugal.

The chain in Portugal is called “Max 10” and offers its customers a range of products priced at up to EUR 10 per item, in a wide range of divisions which also exist in the chain in Israel, including office equipment, homeware, toys, arts and crafts, beauty and pharmaceuticals, cleaning and more.

Another store is expected to open in Q4 2023.

2. Update to Section 1.6 of the Periodic Report - Distribution of Dividends

Further to the Company's immediate report dated March 20, 2023, regarding the approval of a distribution of dividends (Ref. No: 2023-01-024298), on April 3, 2023, the Company paid a dividend totaling ILS 60 million.

3. Update to Section 1.8.10 of the Periodic Report – Changes to the Security and Political Situation in Israel

In January 2023 the Israeli government commenced legislative measures with the objective of reforming the Israeli legal system. This led to a wave of protests by the Israeli public, as well as warnings by economic experts of harm to the Israeli economy and investor flight. Following the date of the Report, on July 26, 2023, Amendment No. 3 to the Basic Law: The Judiciary was approved as the first step in the judicial reform led by the Israeli government, whereby the Supreme Court's authority to review administrative decisions was limited (revocation of the "grounds of reasonableness"). As of the publication date of this Report, the legal reform and legislation have not had any impact on the Company's activities and/or results. However, the Company has no way of assessing the extent of the impact of the continued legislation on the Israeli economy in general, and specifically on the Company's activities and results.

4. Update to Section 1.21 of the Periodic Report - Human Capital

Update to Section 1.21.4 - Material changes to the Company's senior management personnel and its officers

4.1. In April 2023, Mr. Oz Corsia, Senior VP Supply Chain, gave notice that he will conclude his role at the Company on June 30, 2023. Mr. Eliezer (Elik) Kaplan, who has taken over Mr. Corsia's position, started working at the Company on May 1, 2023, and has been appointed VP Supply Chain as of July 1, 2023.

4.2. On June 1, 2023, Mr. Shahar Kanizo was appointed to serve as the Company's VP Trade, reporting to the Company's CEO.



Chapter B

BOARD OF DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS FOR THE SIX MONTHS PERIOD ENDING ON JUNE 30, 2023



Max Stock Ltd.

Board of Directors' Report on the State of the Company's Affairs

For the six and three month periods ended as of June 30, 2023

The board of directors of Max Stock Ltd. (the “**Company**”) is pleased to file the board of directors’ report on the state of the Company’s affairs for the six and three month periods ended as of June 30, 2023 (the “**reporting period**”), in accordance with the Securities Regulations (Periodic and Immediate Reports), 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 board of directors’ report on the state of the Company’s affairs for the year ended as of December 31, 2022 (the “**annual board report**”), published on March 20, 2023, together with the Company’s 2022 periodic report (Ref. No: 2023-01-024388) (the “**periodic report**”).

Board’s explanations about the state of the Company’s business affairs

1. Description of the Company's business affairs

- 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 its name was changed back to its current name - “Max Stock Ltd.” on March 10, 2020.
- 1.2 From incorporation and as of the publication date of this report, the Company has been engaged in a retail business through operating a national “discount” chain-store trading under the name “Max - Fun Shopping” and “Mini Max” which offers a range of household products at attractive prices. As of the date of the report, the Company operates 59 branches throughout Israel, from Kiriath Shmona to Eilat, which are mostly operated by subsidiaries and partially through franchises (the “**Max Chain**” or the “**Chain**”), as well as 2 owned stores in Portugal.
- 1.3 For more information regarding the Company's activities and a description of the development of its business affairs, see Section 1.3 of the periodic report.

2. Description of the commercial environment and the Company's commercial trends

2.1 In H1 2023, the Company continued implementing its growth strategy including the opening of two new branches operated by subsidiaries in the cities of Mishor Adumim and Gush Etzion, along with the opening of two other branches operating as franchises in Tel Aviv and Akko. Additionally, the Company closed an owned branch in Jerusalem and it sold an owned "Mini Max" store in Kiriat Atta to a franchisee.

The Company concurrently continued to develop the operation of a Max Stock chain in Portugal. The Company opened its first branch in Braga in northern Portugal in May 2023 and it opened a second branch in the city of Porto in June 2023. The impact of these activities on adjusted EBITDA¹ in H1 2023 was a loss of ILS 2.6 million, primarily arising from salary expenses, professional and marketing services for establishing the operations.

2.2 In Q2 2023, the Company's sales turnover was almost unchanged relative to the same quarter YoY. This result was achieved despite the impact of the timing of the Passover festival whose impact on sales was felt primarily in March 2023. The Company's quarterly sales were however adversely impacted by this timing which was seen in a decline of approximately 2.8% in same store sales (SSS); however, this decline was offset by an increase in SSS in May-June of approximately 3.9% and from sales from the opening of new stores.

2.3 In H1 2023 the Company's sales turnover increased by approximately 5.7%, relative to the same period YoY. The growth in revenues is due to an increase in SSS of approximately 3%, and from the opening of new branches. The increase in SSS (same store sales) is due to an increase in the number of customers visiting the branches and an increase in seasonal sales relative to the same period YoY.

For more information about the Company's financial and operating metrics for the six and three month periods ending on June 30, 2023, see Section 7 below.

2.4 Impact of inflation and increased interest rates on the Company's activities

The Company has examined the impact of the increased prime interest rate by the Bank of Israel and the increased consumer price index due to both global and local inflation on its liabilities and financial results. As of June 30, 2023, the Company has liabilities to banking corporations which are linked to the prime interest rate totaling approximately ILS 34,386

¹ Adjusted EBITDA - EBITDA while offsetting the impact of Standard 16 and expenses for share-based payments recognized during the reporting period. For additional details, see Section 7 below.

thousands and it pays rent for the Chain's store branches, logistic centers and headquarters which are generally linked to the consumer price index. The Company has examined the impact of the increased prime interest rate and consumer price index and has found that these did not have a material impact on the Company's results.

For more information about the impact of inflation and increased interest rates on the Company's activities, see Section 1.8.2 of Chapter A of the periodic report.

The possible impact the increased prime interest rate and consumer price index may have on the Chain's operations, as described above, constitutes "forward-looking information," as defined in the Securities Law, 1968, the realization of which is uncertain and subject to factors beyond the Company's control. This information is primarily based on information existing on the date of this report as well as on assessments made by the Company which are, inter alia, based on the market experience garnered by the Company's management (including in environments entailing an economic crisis).

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.

2.5 Impact of the increased minimum wage on the Company's operating activities

The minimum wage in Israel changed effective as of April 1, 2023. The Company examined the impact of the increased minimum wage on its results and found that this increase did not have a material impact on the Company's operating results. For more information about the impact of the increased minimum wage on the Company's activities, see Section 1.8.8 of Chapter A of the periodic report.

2.6 Security and political situation in Israel

For more information regarding the impact of the legal reform on the Company's activities, see Section 3 of Chapter A (Update to the description of the Company's business affairs chapter) attached to this report.

3. Material events during and after the reporting period

3.1 On February 8, 2023, Moose Holdco Ltd. and Ori Max Ltd. entered into a new shareholders' agreement in place of the shareholders' agreement dated September 10, 2020. Moose Holdco also unilaterally informed the Company that it waives half of the management fees it is entitled to under the management agreement and clarified to the Company that its unilateral waiver of management fees was, among other things, made in light of the scope of management services

provided by it as of the date of the report. The change was effective as of January 1, 2023. For more information see the immediate report published by the Company on February 9, 2023 (Ref. No: 2023-01-013354).

3.2 Company's Directors

3.2.1 Adv. Guy Gissin was appointed to serve as one of the Company's directors on March 13, 2023. For more information see the immediate report published by the Company on March 13, 2023 (Ref. No: 2023-01-026694).

3.2.2 Mr. Shay Aba resigned from serving as one of the Company's directors on May 4, 2023. Mr. Aba ended his role on May 31, 2023. For more information see the immediate report published by the Company on May 7, 2023 (Ref. No: 2023-01-048510).

3.2.3 Mr. Erez Nahum was appointed to serve as one of the Company's directors on June 13, 2023. For more information see the immediate reports published by the Company on June 13, 2023 (Ref. No: 2023-01-055321, 2023-01-055324).

3.3 For more information regarding material changes to the Company's senior management personnel and its officers, see Section 3 of Chapter A (Update to the description of the Company's business affairs chapter) attached to this report.

3.4 Distribution of dividends to minority shareholders - see Note 4B to the Company's interim consolidated financial statements as of June 30, 2023 (the "**consolidated financial statements**").

3.5 Distribution of dividends - on March 19, 2023, the Company's board of directors approved the distribution of a dividend totaling ILS 60,000 thousands (approximately ILS 0.43 per share), which was paid on April 3, 2023.

3.6 Amendment of management fee agreement with a controlling shareholder company - see Note 4F to the consolidated financial statements.

3.7 Payments to relatives of interested parties employed by the Company - see Note 4G to the consolidated financial statements.

For more information about material events following the date of the report of financial position, see Note 4 to the consolidated financial statements.

4. Financial position

	<u>As of June 30</u>		<u>As of</u>
	<u>2023</u>	<u>2022</u>	<u>December 31</u>
	<u>ILS 000's</u>		<u>2022</u>
Trade receivables (customers)	84,352	74,358	81,790
Inventory	156,311	190,346	159,354
Other current assets	79,531	101,518	99,890
Non-current assets	791,545	672,659	654,289
Total Assets	<u>1,111,739</u>	<u>1,038,881</u>	<u>995,323</u>
Trade payables (liabilities to vendors, suppliers and service providers)	122,773	88,589	97,009
Other current liabilities	106,254	135,221	114,350
Non-current liabilities	698,195	579,172	569,726
Total shareholders' equity	184,517	235,899	214,238
Total Liabilities and Equity	<u>1,111,739</u>	<u>1,038,881</u>	<u>995,323</u>

Assets

4.1 Trade receivables (customers) - The balance of trade receivables as of June 30, 2023, totaled approximately ILS 84,352 thousands, compared to approximately ILS 81,790 thousands as of December 31, 2022.

4.2 Inventory - The balance of inventory as of June 30, 2023, totaled approximately ILS 156,311 thousands, compared to approximately ILS 159,354 thousands as of December 31, 2022.

4.3 Other current assets - The balance of other current assets as of June 30, 2023, totaled approximately ILS 79,531 thousands, compared to approximately ILS 99,890 thousands as of December 31, 2022. The decrease is primarily attributable to the cash and cash equivalents line item and primarily a distribution of dividends to the Company's shareholders during the period which was partially offset by the Company's operating activities.

4.4 Non-current assets - The balance of non-current assets as of June 30, 2023, totaled approximately ILS 791,545 thousands, compared to approximately ILS 654,289 thousands as of December 31, 2022. The increase is primarily attributable to right-of-use assets for leasing new branches and investments in fixed assets (property, plant and equipment), mainly in the Chain's new branches.

Liabilities

4.5 Trade payables (liabilities to vendors, suppliers and service providers) - The balance of trade payables (liabilities to vendors, suppliers and service providers) as of June 30, 2023, totaled approximately ILS 122,773 thousands, compared to approximately ILS 97,009 thousands as of December 31, 2022. The increase is primarily attributable to the increase in the scale of the Company's operations and from a change in the terms of payment to suppliers.

4.6 Other current liabilities - The balance of other current liabilities as of June 30, 2023, totaled approximately ILS 106,254 thousands, compared to approximately ILS 114,350 thousands as of December 31, 2022. The decline is primarily attributable to the repayment of credit from banking corporations.

4.7 Non-current liabilities - The balance of non-current liabilities as of June 30, 2023, totaled approximately ILS 698,195 thousands, compared to approximately ILS 569,726 thousands as of December 31, 2022. The increase is primarily attributable to an increase in lease liabilities recognized in the first six months of 2023.

Equity

4.8 The shareholders' equity as of June 30, 2023, totaled approximately ILS 184,517 thousands, compared to approximately ILS 214,238 thousands as of December 31, 2022. The decrease is primarily attributable to the distribution of dividends to the Company's shareholders totaling ILS 60,000 thousands, and from the distribution of dividends to minority shareholders totaling approximately ILS 11,395 thousands, which was partially offset by an increase totaling approximately ILS 42,429 thousands, attributable to the Company's profits in the current half.

5. Operating results

5.1 Presented below is an overview of operating results by quarter (ILS 000's):

	For the three-month period ended as of June 30			
	2023	% <i>Turnover</i>	2022	% <i>Turnover</i>
Revenues from sales	252,767		252,708	
Cost of goods sold	148,729		153,514	
Gross profit	104,038	41.2%	99,194	39.3%
Sales and marketing expenses	62,727		61,078	
General and administrative expenses	10,594		13,406	
Other income	(148)		-	
Other expenses	338		8	
Operating profit	30,527	12.1%	24,702	9.8%
Financing revenues	(781)		(1,637)	
Financing expenses	6,788		6,250	
Profit before taxes on income	24,520	9.7%	20,089	8.0%
Taxes on income	6,196		5,649	
Net profit	18,324	7.2%	14,440	5.7%
Net profit attributable to:				
Shareholders of the Company	16,601		11,334	
Minority interests	1,723		3,106	
	18,324		14,440	
Adjustments:				
Share-based payments	(671)		3,847	
Adjusted net profit	17,653	7.0%	18,287	7.2%
Adjusted net profit attributable to:				
Shareholders of the Company	15,930		15,181	
Minority interests	1,723		3,106	
	17,653		18,287	

5.1.1 Revenues

The Company's revenues in Q2 2023 totaled approximately ILS 252,767 thousands, compared to approximately ILS 252,708 thousands in the same period last year. The Company's sales turnover was almost unchanged relative to the same quarter YoY. This result was achieved despite the impact of the timing of the Passover festival whose impact on sales was felt primarily in March 2023. The Company's quarterly sales were however adversely impacted by this timing which was seen in a decline of approximately 2.8% in same store sales (SSS); however, this decline was offset by an increase in SSS in May-June of approximately 3.9% and from sales from the opening of new stores.

5.1.2 Gross profit

The gross profit rate in Q2 2023 was approximately 41.2% of sales turnover, compared to approximately 39.3% in the same period last year. The gross profit in Q2 2023 totaled approximately ILS 104,038 thousands, compared to approximately ILS 99,194 thousands in the same period last year - an increase of approximately 4.9%. The increase in gross profitability in Q2 2023 relative to the gross profitability in the same quarter YoY is attributable to a decline in international freight prices along with an improvement in inventory management and a decrease in storage utilizations.

5.1.3 Sales and marketing expenses

Sales and marketing expenses in Q2 2023 totaled approximately ILS 62,727 thousands, approximately 24.8% of sales turnover, compared to approximately ILS 61,078 thousands in the same period last year, approximately 24.2% of the sales turnover. Sales and marketing expenses were unchanged after neutralizing the impact of activities in Portugal. In Q2 2023 there was an increase in municipal [*Arnona*] expenses and amortization of right-of-use assets in new branches which was offset through a decrease in salary expenses arising from share-based payments during the same period YoY. As part of the establishment of operations in Portugal, the Company incurred expenses totaling approximately ILS 1,729 thousands which primarily comprise of salary and marketing expenses.

5.1.4 General and administrative expenses

General and administrative expenses in Q2 2023 totaled approximately ILS 10,594 thousands, approximately 4.2% of sales turnover, compared to approximately ILS 13,406 thousands in the same period last year, approximately 5.3% of the sales turnover. The change is primarily attributable to salary expenses for share-based payments and management fees

5.1.5 Other income

Other income in Q2 2023 totaled approximately ILS 148 thousands. This is attributable to the profit from amortizing lease liabilities.

5.1.6 Other expenses

In Q2 2023, other expenses totaled approximately ILS 338 thousands, compared to other expenses totaling approximately ILS 8 thousands in the same period YoY. The expenses in the reporting period and in the same period YoY are attributable to a loss from writing down fixed assets.

5.1.7 Financing revenues

In Q2 2023, financing revenues totaled approximately ILS 781 thousands, compared to financing revenues totaling approximately ILS 1,637 thousands in the same period YoY. The financing revenues derive from a profit from USD hedging transactions.

5.1.8 Financing expenses

Financing expenses in Q2 2023 totaled approximately ILS 6,788 thousands, compared to financing expenses of approximately ILS 6,250 thousands in the same period last year. The increase in financing expenses primarily results from an increase in lease liabilities and an increase in the interest rate for loans from banking corporations.

5.1.9 Net profit

The net profit in Q2 2023 totaled approximately ILS 18,324 thousands, approximately 7.2% of sales turnover, compared to a net profit of approximately ILS 14,440 thousands, approximately 5.7% of sales turnover, in the same quarter YoY. The increase in net profitability is attributable to an increase in gross profit and a decrease in general and administrative expenses as stated above.

5.1.10 Adjusted net profit

The adjusted net profit in Q2 2023 totaled approximately ILS 17,653 thousands, approximately 7% of sales turnover, compared to an adjusted net profit of approximately ILS 18,287 thousands, approximately 7.2% of sales turnover, in the same quarter YoY.

5.2 Presented below is an overview of operating results by period (ILS 000's):

	For the six-month period ended as of June 30		For the year ended December 31	
	2023	% turnover	2022	% turnover
Revenues from sales	532,389		503,584	
Cost of goods sold	312,545		306,575	
Gross profit	219,844	41.3%	197,009	39.1%
Sales and marketing expenses	127,998		118,679	
General and administrative expenses	24,039		25,920	
Other income	(148)		(283)	
Other expenses	338		120	
Operating profit	67,617	12.7%	52,573	10.4%
Financing revenues	(2,051)		(3,173)	
Financing expenses	13,445		12,232	
Profit before taxes on income	56,223	10.6%	43,514	8.6%
Taxes on income	13,794		12,041	
Net profit	42,429	8.0%	31,473	6.2%
Remeasurement of defined benefit plan	-		-	
Translating financial statements from operating currency to presentation currency	(90)		-	
Total comprehensive profit	42,339	8.0%	31,473	6.2%
Net profit attributable to:				
Shareholders of the Company	37,524		25,295	
Minority interests	4,905		6,178	
	42,429		31,473	
Adjustments:				
Share-based payments	(665)		7,702	
Adjusted net profit	41,764	7.8%	39,175	7.8%
Adjusted net profit attributable to:				
Shareholders of the Company	36,859		32,997	
Minority interests	4,905		6,178	
	41,764		39,175	

5.2.1 Revenues

The Company's revenues in H1 2023 totaled approximately ILS 532,389 thousands, compared to approximately ILS 503,584 thousands in the same period last year, an increase of approximately 5.7%. The increase in sales turnover is attributable to an increase of approximately 3% in SSS and from the opening of new branches. The increase in SSS is due to an increase in the number of customers visiting the branches and an increase in seasonal sales relative to the same period YoY.

5.2.2 Gross profit

The gross profit rate in H1 2023 was approximately 41.3% of sales turnover, compared to approximately 39.1% in the same period last year. The gross profit in H1 2023 totaled approximately ILS 219,844 thousands, compared to approximately ILS 197,009 thousands in the same period last year. In H1 2023, there was an increase of approximately 11.6% in gross profit which is attributable to an increase in the scope of the Company's activities. The increase in gross profitability in H1 2023 relative to the gross profitability in the same period YoY is attributable to a decline in international freight prices along with an improvement in inventory management and a decrease in storage utilizations.

5.2.3 Sales and marketing expenses

Sales and marketing expenses in H1 2023 totaled approximately ILS 127,998 thousands, approximately 24% of sales turnover, compared to approximately ILS 118,679 thousands in the same period YoY, approximately 23.6% of the sales turnover. The increase in expenses is primarily due to an increase in Arnona expenses and the amortization of right-of-use assets arising from opening new branches, and sales and marketing expenses incurred in setting-up activities in Portugal totaling approximately ILS 1,774 thousands which primarily included sales, advertising and marketing expenses.

5.2.4 General and administrative expenses

General and administrative expenses in H1 2023 totaled approximately ILS 24,039 thousands, approximately 4.5% of sales turnover, compared to approximately ILS 25,920 thousands in the same period YoY, approximately 5.1% of the sales turnover. The decline is primarily attributable to salary expenses for share-based payments in the same period YoY which is partially offset by general and administrative expenses totaling approximately ILS 1,500 thousands primarily attributable to setting-up operations in Portugal.

5.2.5 Other income

Other income totaled approximately ILS 148 thousands in H1 2023, compared to other income totaling approximately ILS 283 thousands in the same period YoY. The revenues during the reporting period and the same period YoY are attributable to a profit from de-recognizing lease liabilities.

5.2.6 Other expenses

In H1 2023, other expenses totaled approximately ILS 338 thousands, compared to other expenses totaling approximately ILS 120 thousands in the same period YoY. The expenses in the reporting period and in the same period YoY are attributable to a loss from writing down fixed assets.

5.2.7 Financing revenues

Financing revenues totaled approximately ILS 2,051 thousands in H1 2023, compared to financing revenues totaling approximately ILS 3,173 thousands in the same period YoY. The change is primarily attributable to decreased profits from USD hedging transactions.

5.2.8 Financing expenses

Financing expenses totaled approximately ILS 13,445 thousands in H1 2023, compared to financing expenses totaling approximately ILS 12,232 thousands in the same period YoY. The financing expenses and increase thereof are primarily attributable to lease liabilities and interest for loans from banking corporations, against a decline in expenses for exchange rate differentials.

5.2.9 Net profit

The net profit in H1 2023 totaled approximately ILS 42,429 thousands, approximately 8% of sales turnover, compared to a net profit of approximately ILS 31,473 thousands, approximately 6.2% of sales turnover, in the same period YoY. The increase in net profitability is primarily attributable to an increase in gross profit as stated above.

5.2.10 Adjusted net profit

The adjusted net profit in H1 2023 totaled approximately ILS 41,764 thousands, approximately 7.8% of sales turnover, compared to an adjusted net profit of approximately ILS 39,175 thousands, approximately 7.8% of sales turnover, in the same period YoY.

6. Liquidity

	For the period of six months ended		For the three-month period ended		For the year ended
	On 30 June		On 30 June		December 31
	2023	2022	2023	2022	2022
			ILS 000's		
Cash-flow from operating activities	108,009	81,842 (*)	43,790	57,587 (*)	201,013
Cash-flow utilized for investment activities	(14,363)	(17,024) (*)	(8,075)	(6,964) (*)	(26,653)
Cash-flow utilized for financing activities	(109,069)	(31,389)	(87,517)	(27,705)	(144,167)
Effect of exchange rate volatility on the balance of cash and cash equivalents	42	-	14	-	-
Increase (decrease) in cash and cash equivalents	(15,381)	33,429	(51,788)	22,918	30,193

(*) Reclassified.

6.1 Cash-flow from operating activities

Net cash deriving from operating activities in H1 2023 totaled approximately ILS 108,009 thousands, compared to approximately ILS 81,842 thousands in net cash deriving from operating activities in the same period YoY. The increase in cash-flow from operating activities is attributable to an increase in net profit and changes in working capital.

Net cash deriving from operating activities in Q2 2023 totaled approximately ILS 43,790 thousands, compared to approximately ILS 57,587 thousands in the same period YoY. The decrease in cash-flow from operating activities is primarily attributable to a lower utilization of the Company's inventories in Q2 2023 relative to the utilization of inventories in the same period YoY deriving from the sale of inventories purchased as part of the Company's efforts to stock-up on inventory in previous periods on the backdrop of global supply chain disturbances due to the COVID-19 crisis.

6.2 Cash-flow from investment activities

Net cash utilized for investment activities in H1 2023 totaled approximately ILS 14,363 thousands, compared to approximately ILS 17,024 thousands in net cash utilized in investment activities in the same period YoY. The change is primarily attributable to a decline in the acquisition of fixed property in the reporting period relative to the same period YoY.

Net cash utilized for investment activities in Q2 2023 totaled approximately ILS 8,075 thousands, compared to approximately ILS 6,964 thousands in net cash utilized in investment activities in the same period YoY. The change is primarily attributable to increased investments in fixed property relative to the same period YoY.

6.3 Cash-flow from financing activities

Net cash utilized for financing activities in H1 2023 totaled approximately ILS 109,069 thousands, compared to approximately ILS 31,389 thousands in the same period YoY. The change is primarily attributable to dividends paid to the Company's shareholders totaling ILS 60,000 thousands, the payment of a larger dividend to minority shareholders and greater net loan repayments in the reporting period relative to the same period YoY.

Net cash used for financing activities in Q2 2023 totaled approximately ILS 87,517 thousands, compared to approximately ILS 27,705 thousands in the same period YoY. The change is primarily attributable to dividends paid to minority shareholders and shareholders of the Company in the reporting period.

7. Financial and Operational Key Performance Indicators (KPIs)

7.1 As of the publication date of the report, the Company's management utilizes a number of 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 being published concurrently with 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:

KPI	For the period of six months ended June 30		For the three-month period ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
The rate of change in SSS (same store sales) ³	3%	(4%)	(2.8%)	3%	(1.5%)
Rate of change in the average basket price ³ - in an owned store	(0.8%)	2.4%	(3.3%)	8.4%	3.2%
Rate of change in the average basket price ³ - in a franchised store	(2.2%)	(3.1%)	(6.1%)	6.1%	0.4%
EBITDA (ILS 000's)	103,425	83,740	48,880	41,076	187,187
Adjusted EBITDA (ILS 000's)	66,856	61,150	30,113	29,348	136,956

³ The rate of change is relative to the same period YoY.

KPI	Calculation / components	Objective of the KPI
EBITDA	Operating profit, neutralizing 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 operating activities, 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.
Adjusted EBITDA	EBITDA while offsetting the impact of Standard 16 and expenses for share-based payments recognized during the reporting period.	The objective of using this KPI is to present the Company's EBITDA while offsetting the impact of the application of Standard 16 and expenses for share-based payments recognized during the reporting period. For a description of the adjustments made to net profit and adjusted EBITDA, see the table on the following page.
Same store sales	The rate of change in sales 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 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.
Rates of change in the average basket price	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.

7.2 Presented below is a description of the adjustments made to the Company's gross profit, EBITDA, and adjusted EBITDA (ILS 000's):

	For the six-month period ended as of June 30		For the three-month period ended as of June 30		For the year ended December 31
	2023	2022	2023	2022	2022
Net profit	42,429	31,473	18,324	14,440	77,717
Tax expenses	13,794	12,041	6,196	5,649	26,922
Financing expenses, net	11,394	9,059	6,007	4,613	18,807
Depreciation and amortization	35,618	31,330	18,163	16,366	64,826
Other expenses (revenues), net	190	(163)	190	8	(1,085)
EBITDA	103,425	83,740	48,880	41,076	187,187
Adjustments to adjusted EBITDA ⁴	(36,569)	(22,590)	(18,767)	(11,728)	(50,231)
Adjusted EBITDA	66,856	61,150	30,113	29,348	136,956

8. Sources of financing

8.1 The Company primarily finances its operations from its operating activities and from credit from banking corporations.

8.2 Banking credit

The balance of credit obtained by the Company from banking corporations (including current maturities) as of June 30, 2023, totaled approximately ILS 34,386 thousands, compared with a total amount of approximately ILS 64,755 thousands as of June 30, 2022. The decrease in the balance of credit from banking corporations primarily derives from the net repayment of loans by the Company in light of its increased cash-flow from operating activities.

8.3 Customer credit and vendor credit

The Company increased the days of credit it receives from its suppliers. There were no

⁴ Adjusted EBITDA - see Section 7.1 above.

material changes in the days of credit given by the Company to its customers relative to that set forth in the annual board report.

Management of financial risks

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

August 14, 2023

Zehavit Cohen

Board Chairperson

Ori Max

CEO

Addendum A to the Board of Directors Report - A linkage adjusted balance sheet as of June 30, 2023 (ILS 000's)

	<u>ILS (*)</u>	<u>USD</u>	<u>EUR</u>	<u>Total</u>
<u>Current assets</u>				
Cash and cash equivalents	57,349	6,618	1,186	65,153
Trade receivables (customers)	84,352	-	-	84,352
Current tax rebates	5,214	-	-	5,214
Accounts receivable and credit balances	6,858	-	1,627	8,485
Financial derivatives	-	679	-	679
Inventory	156,311	-	-	156,311
	<u>310,084</u>	<u>7,297</u>	<u>2,813</u>	<u>320,194</u>
<u>Non-current assets</u>				
Fixed assets (property, plant and equipment), net	97,285	-	-	97,285
Long-term loan	-	-	1,005	1,005
Right-of-use assets	681,296	-	-	681,296
Deferred taxes	11,959	-	-	11,959
	<u>790,540</u>	<u>-</u>	<u>1,005</u>	<u>791,545</u>
	<u>1,100,624</u>	<u>7,297</u>	<u>3,818</u>	<u>1,111,739</u>
<u>Current liabilities</u>				
Credit from banking corporations	15,243	-	197	15,440
Lease liabilities	53,201	-	952	54,153
Trade payables (liabilities to vendors, suppliers and service providers)	101,000	18,576	3,197	122,773
Current taxes payable	2,561	-	16	2,577
Accounts payable and debit balances	33,546	-	538	34,084
	<u>205,551</u>	<u>18,576</u>	<u>4,900</u>	<u>229,027</u>
<u>Non-current liabilities</u>				
Loans from banking corporations	18,946	-	-	18,946
Lease liabilities	665,372	-	10,229	675,601
Loans from a shareholder of a subsidiary	-	-	1,005	1,005
Liabilities for employee benefits	2,643	-	-	2,643
	<u>686,961</u>	<u>-</u>	<u>11,234</u>	<u>698,195</u>
<u>Equity</u>				
Equity attributable to Company's shareholders	178,839	-	-	178,839
Minority interests	5,678	-	-	5,678
Total equity	<u>184,517</u>	<u>-</u>	<u>-</u>	<u>184,517</u>
	<u>1,077,029</u>	<u>18,576</u>	<u>16,134</u>	<u>1,111,739</u>

The above figures represent the Company'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 of profit and loss.

(*) The consumer price index does not have a material impact on the Company's operating results.



Chapter C

INTERIM CONSOLIDATED FINANCIAL STATEMENT AS OF
JUNE 30, 2023



Max Stock Ltd.

Interim Consolidated Financial Statements

As of June 30, 2023

Unaudited

Max Stock Ltd.

Interim Consolidated Financial Statements as of June 30, 2023

Unaudited

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Auditor's Review Report to the Shareholders of
Max Stock Ltd.

Preface

We have reviewed the attached financial information for Max Stock Ltd. (hereinafter - the Company) and its subsidiaries (hereinafter - the Group), including the condensed consolidated report of financial position as of June 30, 2023, as well as the condensed consolidated reports of profit and loss and other comprehensive profit, changes to equity and cash-flow for the six and three month periods ending on the same date. The board of directors and management are responsible for the preparation and presentation of financial information for these interim periods in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting", and are also responsible for preparation of financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) no. 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Prepared by the Entity's Auditor". A review of interim financial information includes making inquiries, particularly with the people responsible for financial and accounting matters, and performing analytical and other review procedures. A review is significantly limited in scope relative to an audit conducted in accordance with generally accepted accounting standards in Israel, and therefore does not allow us to reach a level of assurance that we have become aware of all material issues which may have been identified in an audit. We are therefore not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which would lead us to believe that the above financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that set forth in the preceding paragraph, based on our review, nothing has come to our attention which would lead us to believe that the above financial information does not fulfill, in all material respects, the disclosure requirements set forth in Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Respectfully,

Haifa, Israel
August 14, 2023

KOST FORER GABBAY & KASIERER
Auditors

Condensed Consolidated Reports of Financial Position

	As of June 30		As of December
	2023	2022	31
	Unaudited		Audited
	ILS 000's		
<u>Current Assets</u>			
Cash and cash equivalents	65,153	83,770	80,534
Trade receivables (customers)	84,352	74,358	81,790
Current tax rebates	5,214	8,242	8,484
Accounts receivable and credit balances	8,485	9,506	10,872
Financial derivatives	679	-	-
Inventory	156,311	190,346	159,354
	<u>320,194</u>	<u>366,222</u>	<u>341,034</u>
<u>Non-current assets</u>			
Long-term deposit	-	135	248
Fixed assets (property, plant and equipment), net	97,285	86,629	90,147
Long-term loans	1,005	-	-
Right-of-use assets	681,296	575,082	552,840
Deferred taxes	11,959	10,813	11,054
	<u>791,545</u>	<u>672,659</u>	<u>654,289</u>
	<u>1,111,739</u>	<u>1,038,881</u>	<u>995,323</u>
<u>Current liabilities</u>			
Credit from banking corporations	15,440	40,489	25,395
Lease liabilities	54,153	64,106	52,397
Trade payables (liabilities to vendors, suppliers and service providers)	122,773	88,589	97,009
Current taxes payable	2,577	1,182	2,733
Accounts payable and debit balances	34,084	29,444	33,743
Financial derivatives	-	-	82
	<u>229,027</u>	<u>223,810</u>	<u>211,359</u>
<u>Non-current liabilities</u>			
Loans from banking corporations	18,946	24,266	22,167
Lease liabilities	675,601	552,372	544,916
Loans from a shareholder of a subsidiary	1,005	-	-
Liabilities for employee benefits	2,643	2,534	2,643
	<u>698,195</u>	<u>579,172</u>	<u>569,726</u>
<u>Equity</u>			
Equity attributable to Company's shareholders	178,839	218,579	202,067
Minority interests	5,678	17,320	12,171
Total equity	<u>184,517</u>	<u>235,899</u>	<u>214,238</u>
	<u>1,111,739</u>	<u>1,038,881</u>	<u>995,323</u>

August 14, 2023

Financial statements approval
dateZehavit Cohen
Chairperson of the
Board of DirectorsOri Max
Director and CEONir Dagan
Deputy CEO
and CFO

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Consolidated Reports of Profit or Loss and Other Comprehensive Profit

	For the six-month period ended		For the three-month period ended		For the year ended
	On 30 June		On 30 June		December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
ILS 000's (save for the data about net profit per share)					
Revenues from sales	532,389	503,584	252,767	252,708	1,048,801
Cost of goods sold	312,545	306,575	148,729	153,514	630,491
Gross profit	219,844	197,009	104,038	99,194	418,310
Sales and marketing expenses	127,998	118,679	62,727	61,078	246,084
General and administrative expenses	24,039	25,920	10,594	13,406	49,865
Other income	(148)	(283)	(148)	-	(1,585)
Other expenses	338	120	338	8	500
Operating profit	67,617	52,573	30,527	24,702	123,446
Financing revenues	(2,051)	(3,173)	(781)	(1,637)	(2,664)
Financing expenses	13,445	12,232	6,788	6,250	21,471
Profit before taxes on income	56,223	43,514	24,520	20,089	104,639
Taxes on income	13,794	12,041	6,196	5,649	26,922
Net profit	42,429	31,473	18,324	14,440	77,717
Total other comprehensive profit (loss):					
<u>Amounts not to be reclassified to profit or loss:</u>					
Translating financial statements from operating currency to presentation currency	(90)	-	(62)	-	7
Remeasurement of defined benefit plan	-	-	-	-	240
Total comprehensive profit	42,339	31,473	18,262	14,440	77,964
Net profit attributable to:					
Shareholders of the Company	37,524	25,295	16,601	11,334	64,163
Minority interests	4,905	6,178	1,723	3,106	13,554
	42,429	31,473	18,324	14,440	77,717
Total comprehensive profit attributable to:					
Shareholders of the Company	37,456	25,295	16,554	11,334	64,369
Minority interests	4,883	6,178	1,708	3,106	13,595
	42,339	31,473	18,262	14,440	77,964
<u>Net profit per share attributable to shareholders of the Company (ILS)</u>					
Base net profit	0.27	0.18	0.12	0.08	0.45
Diluted net profit	0.27	0.18	0.12	0.08	0.45

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Consolidated Reports of Changes in Equity

	Attributable to the Shareholders of the Company										
	Share capital	Premium for shares	Reserve for share-based payments	Treasury stock	Adjustments from translating financial reports for external operations	Reserve for transactions with minority shareholders	Reserve for remeasurement of defined benefit plans	Profit balance	Total	Minority interests	Total equity
	Unaudited ILS 000's										
Balance as of January 1, 2023 (audited)	- (*)	42,857	22,855	(19,900)	5	(9,411)	(243)	165,904	202,067	12,171	214,238
Net profit	-	-	-	-	-	-	-	37,524	37,524	4,905	42,429
Total other comprehensive loss	-	-	-	-	(68)	-	-	-	(68)	(22)	(90)
Acquisition of minority interests	-	-	-	-	-	(19)	-	-	(19)	19	-
Cost of share-based payments	-	-	(665)	-	-	-	-	-	(665)	-	(665)
Exercise of options	-	5,310	(5,310)	-	-	-	-	-	-	-	-
Dividend to Company shareholders	-	-	-	-	-	-	-	(60,000)	(60,000)	-	(60,000)
Dividend to minority shareholders	-	-	-	-	-	-	-	-	-	(11,395)	(11,395)
Balance as of June 30, 2023	- (*)	48,167	16,880	(19,900)	(63)	(9,430)	(243)	143,428	178,839	5,678	184,517
	Unaudited ILS 000's										
	Attributable to the Shareholders of the Company										
	Share capital	Premium for shares	Reserve for share-based payments	Treasury stock	Adjustments from translating financial reports for external operations	Reserve for transactions with minority shareholders	Reserve for remeasurement of defined benefit plans	Profit balance	Total	Minority interests	Total equity
	Unaudited ILS 000's										
Balance as of January 1, 2022 (audited)	- (*)	36,526	17,847	-	-	(7,594)	(444)	141,741	188,076	12,534	200,610
Net profit	-	-	-	-	-	-	-	25,295	25,295	6,178	31,473
Cost of share-based payments	-	-	7,702	-	-	-	-	-	7,702	-	7,702
Exercise of options	-	498 (*)	(*)	-	-	-	-	-	-	-	-
Buyback of Company shares	-	-	-	(2,494)	-	-	-	-	(2,494)	-	(2,494)
Dividend to minority shareholders	-	-	-	-	-	-	-	-	-	(1,392)	(1,392)
Balance as of June 30, 2022	- (*)	37,024	25,051	(2,494)	-	(7,594)	(444)	167,036	218,579	17,320	235,899

(*) Reclassified.

(*) The balance is less than ILS 1 thousand.

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Consolidated Reports of Changes in Equity

	Attributable to the Shareholders of the Company										
	Share capital	Premium for shares	Reserve for share-based payments	Treasury stock	Adjustments from translating financial reports for external operations	Reserve for transactions with minority shareholders	Reserve for remeasurement of defined benefit plans	Profit balance	Total	Minority interests	Total equity
	Unaudited ILS 000's										
Balance as of April 1, 2023	- (*)	43,203	22,515	(19,900)	(16)	(9,411)	(243)	126,827	162,975	5,616	168,591
Net profit	-	-	-	-	-	-	-	16,601	16,601	1,723	18,324
Total other comprehensive loss	-	-	-	-	(47)	-	-	-	(47)	(15)	(62)
Acquisition of minority interests	-	-	-	-	-	(19)	-	-	(19)	19	-
Cost of share-based payments	-	-	(671)	-	-	-	-	-	(671)	-	(671)
Exercise of options	-	4,964	(4,964)	-	-	-	-	-	-	-	-
Dividend to minority shareholders	-	-	-	-	-	-	-	-	-	(1,665)	(1,665)
Balance as of June 30, 2023	- (*)	48,167	16,880	(19,900)	(63)	(9,430)	(243)	143,428	178,839	5,678	184,517
	Attributable to the Shareholders of the Company										
	Share capital	Premium for shares	Reserve for share-based payments	Treasury stock	Adjustments from translating financial reports for external operations	Reserve for transactions with minority shareholders	Reserve for remeasurement of defined benefit plans	Profit balance	Total	Minority interests	Total equity
	Unaudited ILS 000's										
Balance as of April 1, 2022	- (*)	36,526	21,702	-	-	(7,594)	(444)	155,702	205,892	15,339	221,231
Net profit	-	-	-	-	-	-	-	11,334	11,334	3,106	14,440
Cost of share-based payments	-	-	3,847	-	-	-	-	-	3,847	-	3,847
Buyback of Company shares	-	-	-	(2,494)	-	-	-	-	(2,494)	-	(2,494)
Exercise of options	-	498 (*)	(*)	-	-	-	-	-	-	-	-
Dividend to minority shareholders	-	-	-	-	-	-	-	-	-	(1,125)	(1,125)
Balance as of June 30, 2022	- (*)	37,024	25,051	(2,494)	-	(7,594)	(444)	167,036	218,579	17,320	235,899

(*) Reclassified.

(*) The balance is less than ILS 1 thousand.

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Consolidated Reports of Changes in Equity

	Attributable to the Shareholders of the Company										
	Share capital	Premium for shares	Reserve for share-based payments	Treasury stock	Adjustments from translating financial reports for external operations	Reserve for transactions with minority shareholders	Reserve for remeasurement of defined benefit plans	Profit balance	Total	Minority interests	Total equity
	Audited ILS 000's										
Balance as of January 1, 2022	- (*)	36,526	17,847	-	-	(7,594)	(444)	141,741	188,076	12,534	200,610
Net profit	-	-	-	-	-	-	-	64,163	64,163	13,554	77,717
Other comprehensive profit	-	-	-	-	5	-	201	-	206	41	247
Acquisition of minority interests	-	-	-	-	-	(1,817)	-	-	(1,817)	(661)	(2,478)
Minority interests created for a company first being consolidated	-	-	-	-	-	-	-	-	-	45	45
Cost of share-based payments	-	-	11,339	-	-	-	-	-	11,339	-	11,339
Exercise of options	-	6,331	(6,331)	-	-	-	-	-	-	-	-
Buyback of Company shares	-	-	-	(19,900)	-	-	-	-	(19,900)	-	(19,900)
Dividend to Company shareholders	-	-	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
Dividend to minority shareholders	-	-	-	-	-	-	-	-	-	(13,342)	(13,342)
Balance as of December 31, 2022	- (*)	42,857	22,855	(19,900)	5	(9,411)	(243)	165,904	202,067	12,171	214,238

(*) The balance is less than ILS 1 thousand.

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Consolidated Reports of Cash Flows

	For the six-month period ended On 30 June		For the three-month period ended On 30 June		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	ILS 000's				
<u>Cash-Flows from Operating Activities</u>					
Net profit	42,429	31,473	18,324	14,440	77,717
Adjustments required to present cash-flows from operating activities (a)	65,580	50,369 (*)	25,466	43,147 (*)	123,296
Net cash deriving from operating activities	108,009	81,842	43,790	57,587	201,013
<u>Cash-Flows from Investment Activities</u>					
Acquisition of fixed assets (property, plant and equipment)	(14,224)	(17,049)	(8,329)	(6,989)	(26,748)
Proceeds from sale of fixed assets	615	-	615	-	25
Repayment of deposit to lessor	251	25	251	25	25
Investment in a subsidiary first consolidated (b)	-	-	-	-	45
Long-term loan	(1,005)	-	(612)	-	-
Net cash used for investment activities	(14,363)	(17,024) (*)	(8,075)	(6,964) (*)	(26,653)
<u>Cash-Flows from Financing Activities</u>					
Obtaining long-term loans from banking corporations	5,250	12,000	-	-	17,000
Obtaining short-term loans from banking corporations	247	11,000	247	10,377	11,000
Repayment of long-term loans from banking corporations	(14,666)	(11,038)	(9,380)	(5,547)	(21,731)
Repayment of short-term loans from banking corporations	(4,007)	(17,708)	(2,507)	(17,708)	(29,208)
Lease payments	(25,227)	(22,172)	(12,287)	(11,623)	(45,508)
Buyback of Company shares	-	(2,079)	-	(2,079)	(19,900)
Receipt of loans from a shareholder of a subsidiary	729	-	445	-	-
Dividend paid to minority shareholders	(11,395)	(1,392)	(4,035)	(1,125)	(13,342)
Dividend paid to Company shareholders	(60,000)	-	(60,000)	-	(40,000)
Acquisition of minority interests	-	-	-	-	(2,478)
Net cash used in financing activities	(109,069)	(31,389)	(87,517)	(27,705)	(144,167)
Effect of exchange rate volatility on the balance of cash and cash equivalents	42	-	14	-	-
<u>Increase (decrease) in cash and cash equivalents</u>	(15,381)	33,429	(51,788)	22,918	30,193
<u>Balance of cash and cash equivalents at beginning of period</u>	80,534	50,341	116,941	60,852	50,341
<u>Balance of cash and cash equivalents at end of period</u>	65,153	83,770	65,153	83,770	80,534

(*) Reclassified.

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Consolidated Reports of Cash Flows

	For the six-month period ended		For the three-month period ended		For the year ended
	On 30 June		On 30 June		December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
ILS 000's					
a) Adjustments required to present cash-flows from operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	35,618	31,330	18,163	16,366	64,826
Financing expenses, net	12,155	9,662	6,246	4,292	19,327
Profit from de-recognizing lease liabilities	(148)	(283)	(148)	-	(1,585)
Decrease (increase) in fair value of financial derivatives	(761)	(602)	(239)	322	(520)
Cost of share-based payments	(665)	7,702	(671)	3,847	11,339
Change in liabilities for employee benefits, net	-	-	-	-	349
Taxes on income	13,794	12,041	6,196	5,649	26,922
Capital loss	338	120	338	8	500
	<u>60,331</u>	<u>59,970</u>	<u>29,885</u>	<u>30,484</u>	<u>121,158</u>
Changes in property and liability items:					
Decrease (increase) in trade receivables/customers	(2,562)	1,289	16,994	16,103	(6,143)
Decrease (increase) in receivables and credit balances	2,451	400	2,627	742	(741)
Decrease in inventory	3,122	23,310	7,257	28,795	54,302
Increase (decrease) in trade payables (liabilities to vendors, suppliers and service providers)	25,668	(4,010)	(7,703)	(13,955)	4,410
Proceeds from exercising financial derivatives	822	2,571 (*)	339	1,959 (*)	2,069
Increase (decrease) in accounts payable and debit balances	307	(424)	(10,335)	(4,859)	3,955
	<u>29,808</u>	<u>23,136 (*)</u>	<u>9,179</u>	<u>28,785 (*)</u>	<u>57,852</u>
Cash paid during the year for:					
Interest paid	(12,978)	(12,233)	(6,586)	(6,251)	(21,396)
Taxes paid, net	(11,581)	(20,504)	(7,012)	(9,871)	(34,318)
Total adjustments required to present cash-flows deriving from operating activities	<u>65,580</u>	<u>50,369 (*)</u>	<u>25,466</u>	<u>43,147 (*)</u>	<u>123,296</u>
b) Investment in a subsidiary first consolidated:					
Assets and liabilities of the consolidated company as of the acquisition date:					
Working capital (excluding cash and cash equivalents)	-	-	-	-	(113)
Long-term deposit	-	-	-	-	113
Minority interests	-	-	-	-	45
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>
c) Non-cash material activity:					
Recognition of a right-of-use asset against a lease liability	159,802	71,993	47,783	11,986	84,882
Derecognizing a right-of-use asset against a lease liability	(2,369)	(3,817)	(2,369)	-	(11,233)
Buyback of Company shares	-	(415)	-	(415)	-

(*) Reclassified.

The accompanying notes are an integral part of the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

NOTE 1: GENERAL**A. General description of the Group and its activities**

Max Stock Ltd. (hereinafter – the "Company") was incorporated in Israel as a private company on December 16, 2004. 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.". On September 14, 2020, the Company's shares IPO'd through a tender offer on the Tel Aviv Stock Exchange Ltd. ("TASE") under a tender offer prospectus and shelf prospectus and the Company became a public company.

From incorporation, the Company has been engaged in a retail business through operating a national "discount" chain of stores trading under the name "Max - Fun Shopping" and "Mini Max" which offers a range of household products at attractive prices. The Company operates branches throughout Israel through subsidiaries and franchisees as well as two owned stores in Portugal.

- B. These financial statements have been prepared in a condensed format as of June 30, 2023, and for the six and three month periods ended on the same date (hereinafter - the interim consolidated financial statements). These reports should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2022, and for the year ended on the same date and the accompanying notes (hereinafter - the annual consolidated financial statements).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**A. Format of the interim consolidated financial statements**

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," and in accordance with the disclosure directives under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies implemented in preparing the interim consolidated financial statements are consistent with those implemented in preparing the annual consolidated financial statements, other than as set forth below.

B. Initial application of amendments to existing accounting standards***1. Amendment of IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors"***

In February 2021, the IASB issued an amendment to IAS 8, "*Accounting Policies, Changes to Accounting Estimates and Errors*" (the "Amendment"). The objective of the Amendment is to present a new definition for the term "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The above-stated amendment did not have a material impact on the Company's interim financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Initial application of amendments to existing accounting standards (Cont.)

2. Amendment of IAS 12, “Taxes on Income”

In May 2021, the IASB published an amendment to international accounting standard 12: *Taxes on income* (hereinafter: “IAS 12” or the “Standard”), which reduces the application of the ‘initial recognition exemption’ (hereinafter: the “**Exemption**”) for deferred taxes included in Sections 15 and 24 of IAS 12 (hereinafter: the “**Amendment**”).

As part of the guidelines for recognizing deferred tax assets and liabilities, IAS 12 excludes recognizing deferred tax assets and liabilities for certain temporary differences arising from initial recognition of assets and liabilities in certain transactions. The Amendment narrows the application of the Exemption and clarifies that it does not apply to recognizing deferred tax assets and liabilities arising from a transaction which is not a business combination and which generates equal temporary differences in credit and debit, even if they satisfy the Exemption’s other conditions.

The Amendment is effective for annual periods from January 1, 2023 with respect to leasing transactions and recognizing decommissioning obligations - the Amendment will be applied from the earliest possible reporting period presented in the financial statements from when the Amendment is first implemented, while imputing the cumulative impact of the initial implementation on the opening balance of retained earnings (or another equity component, if relevant) on such date.

The above-stated amendment did not have a material impact on the Company’s interim financial statements.

3. Amendment of IAS 1, “Disclosure of Accounting Policies”

In February 2021, the IASB issued an amendment to IAS 1, *Presentation of Financial Statements* (the “Amendment”). Under the Amendment, companies are required to disclose their material accounting policies in lieu of the current requirement to disclose their significant accounting policies. One of the primary reasons for the Amendment is due to the fact that the term “significant” is not defined by the IFRS, while the term “material” is defined in various standards and particularly under IAS 1.

The Amendment is effective for annual periods from January 1, 2023.

The Amendment did not impact the Company’s condensed consolidated interim financial statements; however, the Amendment is anticipated to impact the disclosure of the accounting policy in the Company’s consolidated interim financial statements.

NOTE 3: SALES

	For the six-month period ended		For the three-month period ended		For the year ended
	On 30 June		On 30 June		December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	ILS 000's				
Revenues from sales in owned stores	485,155	457,170	230,441	229,968	960,159
Revenues from sales to franchisees	37,668	39,248	17,884	19,242	73,251
Total revenues from sales (1)	522,823	496,418	248,325	249,210	1,033,410
Revenue from commissions/fees	9,566	7,166	4,442	3,498	15,391
Total revenues	532,389	503,584	252,767	252,708	1,048,801

(1) Below is a breakdown of revenues from the Company's main product categories:

	For the six-month period ended		For the three-month period ended		For the year ended
	On 30 June		On 30 June		December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	ILS 000's				
Office and school supplies	25,670	22,379	11,270	9,983	97,096
Toys and baby products	71,174	70,413	41,020	41,084	134,205
Disposable utensils, party products and storage containers	75,423	72,395	36,048	37,872	143,203
Homeware	154,160	147,759	69,738	75,000	288,730
Other	196,396	183,472	90,249	85,271	370,176
	522,823	496,418	248,325	249,210	1,033,410

NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTING PERIOD**A. Amendment to Contingent Liabilities**

- Further to that described in Note 15A to the annual consolidated financial statements regarding an appeal submitted by the Company against the judgment of the Haifa Magistrates Court with respect to a tortious subrogation claim by Clal against one of the Company's former franchisees and others, a date has been scheduled for a consolidated hearing on supplementary oral pleadings on the appeal submitted by the Company and two additional appellants for October 19, 2023.

At this preliminary stage, and according to the Company's legal advisors, the chances of the appeal are approximately 50%.

NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTING PERIOD

A. Amendment to Contingent Liabilities (Cont.)

2. Further to that described in Note 15B to the annual consolidated financial statements regarding the Company's claim against two former franchisees in Sderot and Bat Yam, a summation pre-trial hearing was held on April 27, 2023, at which hearing dates were scheduled to examine the parties' affiants for December 2023. The Company has assessed, including on the basis of an opinion obtained from its legal counsel, that it is not possible to assess the prospects of the claim and the financial risk therein at this stage of the claim prior to concluding submission of the case's evidence.
3. Concurrently with the proceedings set forth above in paragraph "2" and as a corollary thereto, and further to that described in Note 15C to the annual consolidated financial statements regarding the submission of a claim by the Company to enforce a separation mechanism stipulated in the shareholders' agreement between the Company and the company controlled by the shareholder of the franchises, the affiants relevant to this action will also be examined on the dates stated above in paragraph "b". The Company has assessed, including on the basis of an opinion obtained from its legal counsel, that it is not yet possible to assess the prospects of the claim.
4. Further to that described in Note 15G to the annual consolidated financial statements regarding a motion to certify a claim as a class action against the Company, 3 subsidiaries and their other shareholders with respect to sending text messages allegedly in breach of Section 30A of the Communications Law (Bezeq & Broadcasts), the parties were referred to mediation which failed. An evidentiary hearing at which the parties' affiants will be heard has been scheduled for February 19, 2024. At this preliminary stage the Company believes on the basis of an opinion obtained from its legal advisors that the chances that the motion will be dismissed are greater than the chances of it being accepted.
5. Further to that described in Note 15H to the annual consolidated financial statements regarding a motion to certify a claim as a class action against the Company, subsidiaries and a franchisee with respect to an alleged failure to install water facilities, a pretrial hearing on the motion was postponed to October 29, 2023. At this preliminary stage it is not yet possible to assess the prospects of the claim.
6. Further to that described in Note 15D to the annual consolidated financial statements regarding a motion to certify a claim as a class action against the Company, subsidiaries and franchisees with respect to the alleged failure to label user instructions and warnings in Hebrew, and the settlement agreement executed by the parties and approved by the court, by the end of Q2 2023 the Company had completed the actions required under the settlement agreement and the judgment and the case has been closed.

B. Declaring the distribution of dividends to minority shareholders

During the reporting period, dividend distributions totaling approximately ILS 11,395 thousands were announced for minority shareholders of the subsidiaries of the Company.

After the date of the report of financial position, and as of the financial statement approval date, dividend distributions totaling approximately ILS 200 thousands were declared for minority shareholders of the Company's subsidiaries.

C. Dividend declared

On March 19, 2023, the Company's board of directors approved the distribution of a dividend totaling ILS 60,000 thousands (approximately ILS 0.43 per share), which was paid on April 3, 2023.

NOTE 4: MATERIAL EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)

D. Establishment of a Max Stock store-chain in Portugal

Further to that described in Note 15 to the annual consolidated financial statements regarding the establishment of a Max Stock chain in Portugal, the first store was opened in Braga, Portugal in May 2023 and a second store was opened in June in the city of Porto.

The Chain's activities in Portugal are performed via a subsidiary - Max 10 LDA (the "Common Company") which is jointly owned by the Company (73.5%) and the local partner Fortera Properties LDA (24.5%). The Common Company is managed by a general manager appointed on behalf of the Company as well as employees of the Common Company in the fields of finance, trade, store management and more.

As of June 30, 2023, the Company has provided a loan totaling approximately ILS 1,005 thousands to the local partner for its share in the financing of the Common Company.

E. Reduction of management fees for a controlling shareholder company

On February 8, 2023, a controlling shareholder company (the "**Controlling Shareholder**") informed the Company that it is unilaterally and irrevocably waiving half of the management fees it is entitled to under the management agreement, whereby, commencing as of January 1, 2023, the Controlling Shareholder shall be entitled to quarterly management fees totaling ILS 250 thousands per calendar quarter *in lieu* of ILS 500 thousands. The other terms of the management agreement remain unchanged.

The Controlling Shareholder clarified to the Company that its unilateral waiver of management fees was, among other things, made in light of the scope of management services provided by it as of the date of the report.

F. Amendment of management fee agreement with a controlling shareholder company

On August 14, 2023, the Company's remuneration committee and board of directors recommended, subject to the approval of the Company's general meeting, to amend the Company's management agreement dated July 20, 2017, with a wholly owned company belonging to Mr. Ori Max, one of the Company's controlling shareholders, who serves as both the Company's CEO and one of its directors. According to the approval of the Company's remuneration committee and board of directors, the monthly management fees shall be increased to ILS 215 thousands (rather than ILS 200 thousands) and ILS 6.5 thousands for expenses, plus VAT, and the annual bonus shall be based on the increase in the Company's net profit relative to the previous year (rather than on growth in adjusted EBITDA). It should be clarified that the amendment is subject to the approval of the Company's general meeting, scheduled for September 19, 2023.

G. Payments to relatives of interested parties employed by the Company

On August 14, 2023, in accordance with the provisions of Section 1B(a)(4) of the Companies Regulations (Reliefs for Interested Party Transactions), 2000, the Company's remuneration committee and board of directors approved the continued engagement of a subsidiary with a sister of one of the Company's controlling shareholders with respect to the employment of the sister of Mr. Ori Max, one of the Company's controlling shareholders and the Company's CEO and one of its directors. The employment of the sister by the subsidiary is in accordance with the Company's customary terms and conditions and in immaterial amounts, and without any change to her previous terms and conditions which do not exceed the average salary in the market, and which are reasonable in light of the scope of her employment, the nature of the role and her skill-set.



Chapter D

MANAGERS' DECLARATIONS ON FINANCIAL REPORTING
AND DISCLOSURE AS OF JUNE 30, 2023



Attached hereto is the Q2 2023 report on the effectiveness of internal control over financial reporting and disclosure pursuant to Regulation 38C(a) of the Securities Regulations (Periodic and Immediate Reports), 1970:

The management, under the supervision of the board of directors of Max Stock Ltd. (the "**Company**"), is responsible for establishing and maintaining adequate internal control over the Company's financial reporting and disclosure.

For this purpose, the senior officers as of June 30, 2023 are:

1. Ori Max, CEO & Director;
2. Shlomo Cohen, Deputy CEO;
3. Nir Dagan, Deputy CEO & Head of Finance;
4. Ifat Nir-Katz, Chief Legal Officer & Corporate Secretary;
5. Oz Corsia, Chief Supply Chain Officer;
6. Ofir Edri, Chief Chain Stores Officer;
7. Shahar Kanizo, VP Trade;

Internal control over the financial reporting and disclosure includes existing Company controls and procedures which were designed by the CEO and the Company's CFO or by anyone under their supervision, or by persons actually performing the above functions, under the supervision of the Company's board of directors, designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements according to the provisions of applicable law, and to ensure that information that the Company is obligated to disclose in reports published by it under applicable law is collected, processed, summarized and reported in a timely manner and in the format established by law.

The internal control includes, *inter alia*, controls and procedures designed to ensure that information that the Company is required to disclose as aforesaid, is accumulated and forwarded to Company's management, including the Company's CEO and the Company's CFO or anyone actually performing the above functions, to enable timely decision-making concerning disclosure requirements.

Due to its inherent limitations, internal control over the financial reporting and disclosure is not intended to provide absolute assurance that an erroneous presentation or omission of information in the reports will be prevented or detected.

In the quarterly report regarding effectiveness of the internal control of financial reporting and disclosure that is attached to the quarterly report for the period ending on March 31, 2023 (hereinafter - the latest quarterly report regarding internal control), the board of directors and management have assessed the Company's internal control. Based on the aforesaid assessment, the board of directors and management of the Company have concluded that said control, as of March 31, 2023, is effective.

As of the date of the report, the board of directors and management have not learned of any event or matter that may change the assessment of effectiveness of the internal control, as determined in the latest quarterly report regarding internal control.

As of the date of the report, based on an assessment of the effectiveness of the internal control in the latest quarterly report regarding internal control, and based on information of which the management and board of directors has been made aware as stated above, the internal control is effective.

August 14, 2023

Managers' Declarations

CEO's Declaration According to Regulation 38C(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970:

I, **Ori Max**, declare that:

- (1) I have reviewed the quarterly report of Max Stock Ltd. (the "**Company**") for Q2 2023 (the "**Reports**");
- (2) To the best of my knowledge, the Reports do not include any misrepresentation of material fact and did not omit any representation of material fact that is essential in order for the representations included therein, in light of the circumstances in which the same representations are included, to not be misleading with respect to the period of the Reports;
- (3) To the best of my knowledge, the financial reports and any other financial information included in the Reports properly reflect, in all material respects, the financial position, the operating results and cash flows of the Company for the dates and periods referred to in the Reports;
- (4) I have disclosed to the Company's auditor, to the board of directors and to the audit committee of the Company's board of directors, based on my most recent assessment on the internal control over the financial reporting and disclosure:
 - a. All significant deficiencies and material weaknesses in the establishment or exercise of the internal control over the financial reporting and disclosure which may reasonably have an adverse effect on the Company's ability to collect, process, summarize or report on financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the financial reports pursuant to the provisions of the law; and
 - b. Any fraud, either material or immaterial, in which the CEO or anyone directly subordinated to him is involved or any other employee holding a significant position in the internal control over the financial reporting and disclosure is involved;
- (5) I, alone or together with others in the Company:
 - a. Established controls and procedures or ensured that controls and procedures are established and maintained under my supervision, which are designed to ensure that material information concerning the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the consolidated companies, particularly during the Reports' preparation period; and
 - b. Established controls and procedures or ascertained that controls and procedures are established and maintained under our supervision, which are designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of any law, including according to generally accepted accounting principles;

- c. No event or matter was brought to my attention which occurred during the period between the latest report (the quarterly report as of March 31, 2023) and the date of this report, which is sufficient to change the conclusion arrived at by the board of directors and management regarding the Company's effectiveness of internal control on financial reporting and disclosure.

Nothing stated above derogates from my responsibility or from the responsibility of any other person, pursuant to any law.

Date: August 14, 2023

Ori Max, CEO &
Director

**CFO's Declaration According to Regulation 38C(d)(2) of the Securities Regulations
(Periodic and Immediate Reports), 1970:**

I, **Nir Dagan**, declare that:

- (1) I have reviewed the interim financial statements and other financial information included in the interim periodic reports of Max Stock Ltd. (the "**Company**") for Q2 2023 (the "**Reports**" or the "**Interim Reports**");
- (2) To the best of my knowledge, the interim financial statements and the other financial information included in the Interim Reports do not include any misrepresentation of material fact and did not omit any representation of material fact that is essential in order for the representations included therein, in light of the circumstances in which the same representations are included, to not be misleading with respect to the period of the Reports;
- (3) To the best of my knowledge, the interim financial reports and any other financial information included in the Reports for the interim period properly reflect, in all material respects, the financial position, the operating results and cash flows of the Company for the dates and periods referred to in the Reports;
- (4) I have disclosed to the Company's auditor, to the board of directors and to the audit committee of the Company's board of directors, based on my most recent assessment on the internal control over the financial reporting and disclosure:
 - a. All significant deficiencies and material weaknesses in the establishment or exercise of the internal control over the financial reporting and disclosure to the extent that it refers to the interim financial statements and the other financial information included in the Interim Reports which may reasonably have an adverse effect on the Company's ability to collect, process, summarize or report on financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the financial reports pursuant to the provisions of the law; and -
 - b. Any fraud, either material or immaterial, in which the CEO or anyone directly subordinated to him is involved or any other employee holding a significant position in the internal control over the financial reporting and disclosure is involved;
- (5) I, alone or together with others in the Company:
 - a. Established controls and procedures or ensured that controls and procedures are established and maintained under my supervision, which are designed to ensure that material information concerning the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and in the consolidated companies, particularly during the Reports' preparation period; and
 - b. Established controls and procedures or ascertained that controls and procedures are established and maintained under my supervision, which are designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of the financial reports pursuant to the provisions of any law, including according to generally accepted accounting principles;

- c. No event or matter was brought to my attention which occurred during the period between the latest report (the quarterly report as of March 31, 2023) and the date of this report, referring to the interim financial reports and any other financial information included in the Interim Reports which is sufficient, in my assessment, to change the conclusion arrived at by the board of directors and management regarding the Company's effectiveness of internal control on financial reporting and disclosure.

Nothing stated above derogates from my responsibility or from the responsibility of any other person, pursuant to any law.

Date: August 14, 2023

Nir Dagan, Deputy CEO
& Head of Finance