

RETAILORS LTD.
FINANCIAL DATA FROM THE
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
ATTRIBUTABLE TO THE COMPANY
AS OF JUNE 30, 2021
UNAUDITED

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Special Report pursuant to Regulation 38D

Financial Data and Financial Information from the

Interim Consolidated Financial Statements Attributable to the Company

Below are separate financial data and financial information attributable to the Company from the Group's interim consolidated financial statements as of June 30, 2021, published as part of the periodic reports ("consolidated financial statements"), presented in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

To
The shareholders of Retailors Ltd.

Dear Sirs/Mmes.,

Re: Special Auditors' Report on the Separate Interim Financial Information in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Retailors Ltd. ("the Company") as of June 30, 2021 and for the periods of six and three months then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on the separate interim financial information based on our review.

We did not review the separate interim financial information derived from the interim financial statements of an investee, whose assets less attributable liabilities, net, total approximately NIS 19,194 thousand as of June 30, 2021 and the Company's share of its earnings (losses) amounted to approximately NIS 1,409 thousand and NIS (230) thousand for the periods of six and three months then ended, respectively. The separate interim financial information of that investee was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of that investee, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of the separate interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Tel-Aviv, Israel
August 23, 2021

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

**Financial Data from the Consolidated Statements of Financial Position
Attributable to the Company**

	<u>June 30,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	657,570	43,889	53,993
Trade receivables	54,324	44,835	58,021
Other accounts receivable	42,325	15,834	14,376
Related companies	4,160	16,105	21,090
Inventories	152,829	97,070	131,557
	<u>911,208</u>	<u>217,733</u>	<u>279,037</u>
NON-CURRENT ASSETS:			
Property, plant and equipment	86,910	68,945	84,832
Investments and loans to investees	87,879	25,292	61,695
Right-of-use assets	456,185	298,382	391,074
Deferred taxes	7,624	6,291	6,660
Intangible assets	1,304	1,809	1,556
Store removal fees	5,075	5,262	5,528
Goodwill	3,607	3,607	3,607
	<u>648,584</u>	<u>409,588</u>	<u>554,952</u>
	<u><u>1,559,792</u></u>	<u><u>627,321</u></u>	<u><u>833,989</u></u>

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Financial Position
Attributable to the Company**

	<u>June 30,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	12,633	51,186	50,485
Related companies	590	720	42,369
Trade payables	155,890	75,990	110,559
Other accounts payable	61,321	40,643	129,506
Short-term lease liability	66,549	45,523	59,610
	<u>296,983</u>	<u>214,062</u>	<u>392,529</u>
NON-CURRENT LIABILITIES:			
Loans from banks	24,450	43,226	35,530
Long-term lease liability	417,730	276,690	357,633
Employee benefit liabilities	1,356	1,059	1,217
	<u>443,536</u>	<u>320,975</u>	<u>394,380</u>
EQUITY:			
Share capital and share premium	825,336	54,000	54,000
Foreign currency translation reserve	(286)	118	(228)
Reserve from remeasurement of defined benefit plans	73	179	73
Reserve from share-based payment transactions	150	-	-
Retained earnings	(6,000)	37,987	(6,765)
	<u>819,273</u>	<u>92,284</u>	<u>47,080</u>
Total equity	<u>819,273</u>	<u>92,284</u>	<u>47,080</u>
Total liabilities and equity	<u>1,559,792</u>	<u>627,321</u>	<u>833,989</u>

The accompanying additional information is an integral part of the separate financial data and financial information.

<u>August 23, 2021</u>			
Date of approval of the Financial statements	<u>Harel Wizel</u> Chairman of the Board	<u>Dov Schneidman</u> CEO	<u>Avior Teboul</u> CFO

**Financial Data from the Consolidated Statements of Profit or Loss
Attributable to the Company**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in thousands				
Revenues from sales	353,525	220,522	204,121	110,594	507,959
Cost of sales	184,137	114,406	104,706	56,124	263,656
Gross profit	169,388	106,116	99,415	54,470	244,303
Selling and marketing expenses	131,993	75,844	75,524	34,114	176,628
General and administrative expenses *)	3,934	1,233	2,282	411	3,326
Group's share of losses (earnings) of companies accounted for at equity, net	67	3,606	85	2,167	(5,627)
Operating income	33,394	25,433	21,524	17,778	69,976
Finance expenses on revaluation of Leumi Partners option	18,308	-	-	-	76,615
Finance expenses, net	8,518	4,031	5,921	1,547	9,200
Income (loss) before taxes on income	6,568	21,402	15,603	16,231	(15,839)
Taxes on income	5,803	5,617	3,656	4,102	13,128
Net income (loss) attributable to the Company	765	15,785	11,947	12,129	(28,967)

*) Including issue expenses of approximately NIS 2.9 million and NIS 1.3 million for the periods of six and three months ended June 30, 2021, respectively.

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Comprehensive Income
Attributable to the Company**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in thousands				
Net income (loss) attributable to the Company	765	15,785	11,947	12,129	(28,967)
Other comprehensive income (loss) net of taxes:					
Amounts that will not be subsequently reclassified to profit or loss:					
Actuarial loss from defined benefit plans	-	-	-	-	(106)
Amounts that will be subsequently reclassified to profit or loss when specific conditions are met:					
Group's share of net other comprehensive income (loss) of companies accounted for at equity	(58)	302	(306)	89	(44)
Total other comprehensive income (loss) attributable to the Company	(58)	302	(306)	89	(150)
Total comprehensive income (loss) attributable to the Company	707	16,087	11,641	12,218	(29,117)

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Net income (loss)	765	15,785	11,947	12,129	(28,967)
Adjustments to reconcile net income (loss) to net cash provided by operating activities (a)	58,667	(1,879)	42,574	2,177	90,894
Net cash provided by operating activities	59,432	13,906	54,521	14,306	61,927
<u>Cash flows from investing activities:</u>					
Receipt of rent concessions (purchase of property, plant and equipment and store removal fees), net	(3,920)	(15,079)	4,065	(11,441)	(37,731)
Foundation of Retailors-FL NK Ventures B.V.	-	(19,170)	-	-	(23,252)
Foundation of associate, FL-Retailors Ventures B.V.	-	-	-	-	(19,654)
Investment in Retailors-FL NK Ventures B.V.	(5,099)	-	-	-	-
Loan to investee, Retailors Europe B.V.	(7,904)	(11,260)	(7,904)	(730)	(13,804)
Net cash used in investing activities	(16,923)	(45,509)	(3,839)	(12,171)	(94,441)
<u>Cash flows from financing activities:</u>					
Receipt (repayment) of short-term credit from banks	(35,000)	35,000	(85,089)	10,000	35,000
Receipt of long-term loans from banks and others	2,953	31,243	2,650	-	31,243
Receipt (repayment) of short-term loans from controlling shareholders	(40,000)	-	-	-	40,000
Issue of share capital, net	669,633	54,000	669,633	-	54,000
Dividend paid	-	(50,000)	-	-	(50,000)
Repayment of lease liabilities	(22,440)	(14,799)	(14,260)	(4,702)	(35,108)
Repayment of long-term loans from banks and others	(14,078)	(7,487)	(10,185)	(4,187)	(16,163)
Net cash provided by financing activities	561,068	47,957	562,749	1,111	58,972
Increase in cash and cash equivalents	603,577	16,354	613,431	3,246	26,458
Cash and cash equivalents at the beginning of the period	53,993	27,535	44,139	40,643	27,535
Cash and cash equivalents at the end of the period	657,570	43,889	657,570	43,889	53,993

The accompanying additional information is an integral part of the separate financial data and financial information.

**Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in thousands				
(a) <u>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</u>					
Income and expenses not involving cash flows:					
Depreciation of property, plant and equipment, store removal fees and right-of-use assets	32,720	20,634	20,055	7,770	49,105
Amortization of intangible assets	253	253	126	126	506
Change in employee benefit liabilities	139	180	139	103	201
Taxes on income	5,803	5,617	3,656	4,102	13,128
Group's share of losses (earnings) of companies accounted for at equity, net	67	3,606	85	2,167	(5,627)
Finance expenses on option revaluation	18,308	-	-	-	76,615
Cost of share-based payment	150	-	150	-	-
Finance expenses	5,367	4,039	3,200	1,238	9,201
	<u>62,807</u>	<u>34,329</u>	<u>27,411</u>	<u>15,506</u>	<u>143,129</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	3,697	4,027	21,956	(22,074)	(9,160)
Decrease (increase) in other accounts receivable	(16,132)	(4,052)	(15,630)	2,259	(669)
Decrease (increase) in inventories	(21,272)	(3,656)	(19,279)	7,835	(38,142)
Increase (decrease) in trade payables	38,053	(31,646)	49,470	(10,990)	2,217
Increase (decrease) in other accounts payable	8,214	5,531	(9,567)	11,151	12,682
	<u>12,560</u>	<u>(29,796)</u>	<u>26,950</u>	<u>(11,819)</u>	<u>(33,072)</u>
Cash paid and received during the period for:					
Taxes paid	(11,294)	(2,140)	(8,542)	-	(9,135)
Interest paid	(5,406)	(4,272)	(3,245)	(1,510)	(10,028)
	<u>(16,700)</u>	<u>(6,412)</u>	<u>(11,787)</u>	<u>(1,510)</u>	<u>(19,163)</u>
	<u>58,667</u>	<u>(1,879)</u>	<u>42,574</u>	<u>2,177</u>	<u>90,894</u>
(b) <u>Significant non-cash transactions:</u>					
Purchase of assets on credit	<u>5,750</u>	<u>(7,618)</u>	<u>13,432</u>	<u>(4,358)</u>	<u>(8,505)</u>
Grant of rent concessions (see Note 1)	<u>6,716</u>	<u>8,111</u>	<u>1,332</u>	<u>6,796</u>	<u>15,121</u>
Movement in lease liability, net	<u>96,192</u>	<u>832</u>	<u>46,000</u>	<u>337</u>	<u>123,180</u>
Exercise of liability option to issue the Company's shares	<u>94,923</u>	<u>-</u>	<u>94,923</u>	<u>-</u>	<u>-</u>

The accompanying additional information is an integral part of the separate financial data and financial information.

Additional Information

1. GENERAL

This separate financial information has been prepared in a condensed format as of June 30, 2021 and for the periods of six and three months then ended, in accordance with the provisions of Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the separate financial information on the Company's annual financial statements as of December 31, 2020 and for the year then ended and accompanying notes.

For details regarding the consequences of the Covid-19 crisis and its impact on the Company, see Note 1 to the interim consolidated financial statements. As a result of a rent concession received for the periods of six and three months amounting to approximately NIS 7,984 thousand and NIS 1,524 thousand, respectively, the Company and subsidiaries recognized in the periods of six and three months ended June 30, 2021 a decrease in depreciation expenses of approximately NIS 6,716 thousand and NIS 1,332 thousand, respectively, and a decrease in finance expenses of approximately NIS 1,268 thousand and NIS 192 thousand, respectively. Also, as a result of a rent concession received for the periods of six and three months ended June 30, 2021 amounting to NIS 10,004 thousand and NIS 8,377 thousand, respectively, the Company recognized a decrease in depreciation expenses of approximately NIS 8,111 thousand and NIS 6,796 thousand, respectively, and a decrease in finance expenses of approximately NIS 1,893 thousand and NIS 1,581 thousand, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this separate interim financial information are consistent with those followed in the preparation of the separate financial information as of December 31, 2020, except as stated below:

Amendment to IFRS 16, "Leases":

In view of the Covid-19 crisis, in May 2020, the IASB issued an amendment to IFRS 16, "Leases" ("the 2020 Amendment").

The objective of the 2020 Amendment is to allow lessees to apply a practical expedient according to which changes in lease payments as a consequence of Covid-19 will not be accounted for as lease modifications but as variable lease payments. The 2020 Amendment can only be applied by lessees.

The 2020 Amendment applied retrospectively to annual periods beginning on June 1, 2020. Earlier application is permitted.

The 2020 Amendment only applied to reduction in lease payments that affects payments originally due up to June 30, 2021. However, the pandemic have persisted longer than anticipated, so the IASB extended the 2020 Amendment permitting to apply it to reduction in lease payments that affects payments due up to June 30, 2022 ("the 2021 Amendment"). The other criteria for application of the 2020 Amendment remain unchanged.

The 2021 Amendment which was issued in April 2021 applies for annual periods beginning on April 1, 2021. Earlier application is permitted.

Additional Information

3. EVENTS DURING THE REPORTING PERIOD

In April and May 2021, the Company gave loans in the total of € 2 million to Retailors Europe B.V. The loan bears interest at the rate of 2.5%.

4. EVENTS AFTER THE REPORTING DATE

In July 2021, the subsidiary, Retailors Europe B.V., issued capital notes in the total of € 2 million to the Company.

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