

RETAILORS LTD.
BOARD OF DIRECTORS' REPORT
AS OF JUNE 30, 2021

Hagilboa St. 2, Airport-City P.O.B. 76; Ben-Gurion Airport 7019900

Tel.: 03-9050100 Fax: 03-9050200

RETAILORS LTD.

The Company's directors have pleasure in presenting the Board of Directors' report on the state of the Company's affairs for the six and three months ended June 30, 2021 ("**the reporting period**"), in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

This Board of Directors' report has been prepared under the assumption that the IPO prospectus, the tender offer prospectus and the shelf prospectus of the Company which was published on May 13, 2021 ("**the prospectus**", TASE reference: 2021-01-085359) are available to its readers.

The accompanying financial statements have been prepared in conformity with International Financial Reporting Standards ("**IFRS**"). See additional information in Note 2 to the Company's financial statements as of June 30, 2021.

Disclosure of the consequences of Covid-19 on the activity of the Company and investees ("**the Group**") is given in paragraph 1.4.1 below.

Since March 1, 2015, the Company has been controlled by Fox-Wizel Ltd. ("**Fox**") and consolidated in its financial statements.

A. THE BOARD OF DIRECTORS' EXPLANATIONS FOR THE STATE OF THE COMPANY'S AFFAIRS

1. Condensed description of the Group and its business environment

General

The Company was incorporated in Israel on December 11, 2008 as a private company limited by shares under the Companies Law under the name of Retailors Ltd. On May 13, 2021, the Company's shares were first sold to the public through share issuance and a tender offer and since May 19, 2021 its shares are traded on the Tel-Aviv Stock Exchange Ltd. (see additional information in Note 3i to the financial statements).

The Company is engaged in the retail sale of footwear products, sports apparel and sports accessories as well as leisure fashion through chain stores that are operated by the Company and its investees in Israel, Canada and Europe ("**Retailors chain**" or "**the chain**"). As of June 30, 2021, the chain has 98 directly operated stores in Israel, of which 23 are Nike stores, 65 Foot Locker and 7 Dream Sport. The Company also operates 3 temporary stores (pop-ups). The Company, through investees, also operates 9 and 11 Nike stores in Canada and Europe, respectively, and 8 Foot Locker stores in Europe. As part of its activity, the Company is negotiating to expand its business by opening stores under its brands in Israel and outside Israel, including by setting up new stores and/or acquisition of franchisee stores in Europe through investees.

The Group buys and sells in the chain stores many different types of footwear and sportswear and athletics clothing as well as fashion and footwear items, the main ones being: sneakers and leisure fashion, running shoes and sportswear and sports accessories in the men, women and kids categories (see more information in paragraph 6.11 to Chapter 6 to the prospectus published on May 13, 2021).

As of June 30, 2021, the Group operates in two main areas of activities which constitute operating segments in its financial statements:

1.1 The segment of Nike

In this operating segment the Group is engaged in the development and operation of mono-brand stores for retail sale of footwear products, sports apparel and sports accessories of the Nike brand ("**Nike**") in Israel, Canada and Europe (Poland, Netherlands, Belgium and Germany and from 2021 also in Norway and Sweden) in the men, women and kids categories.

See more information in paragraph 6.4.1 to Chapter 6 to the prospectus published on May 13, 2021.

As of June 30, 2021, the Nike chain operated by the Company and investees consists of 43 stores as follows

	30.6.2020	30.9.2020	31.12.2020	31.3.2021	30.6.2021
Nike Israel	22	23	23	23	23
Nike Canada	8	9	9	9	9
Nike Europe	5	5	7	8	11
Total	35	37	39	40	43

1.2 The segment of Foot Locker

In this operating segment the Group is engaged in the development and operation of multi-brand stores in Israel and Europe (in Poland and Hungary) under the Foot Locker brand ("**Foot Locker**") for retail sale of footwear products, leisure and sports fashion of top international life style and sports brands such as Adidas, Nike, Vans, Converse, New Balance and others as well as exclusive collections of sports apparel, sneakers and accessories in the men, women and kids categories.

See more information in paragraph 6.4.2 to Chapter 6 to the prospectus published on May 13, 2021.

As of June 30, 2021, the Foot Locker chain operated by the Company and investees consists of 75 stores as follows

	30.6.2020	30.9.2020	31.12.2020	31.3.2021	30.6.2021
Foot Locker Israel	53	56	58	62	65
Foot Locker Europe	-	-	7	7	8
Total	53	56	65	69	73

1.3 The Company has another activity that does not aggregate to a reportable segment in its financial statements, as detailed below

Since May 27, 2020, the Company operates multi-brand stores in Israel under the name of Dream Sport ("**Dream Sport**") for retail sale of a variety of footwear products, professional sport clothing and accessories of top international sports brands. Dream Sport stores market collections of footwear, clothing and accessories classified into different professional categories depending on the type of sports and performance characteristics. These include collections relating to basketball, football, running, indoors, outdoors and leisure sports fashion. See more information in paragraph 6.5 to Chapter 6 to the prospectus published on May 13, 2021.

As of June 30, 2021, the other activity that does not aggregate to a reportable segment consists of 7 stores as follows

	30.6.2020	30.9.2020	31.12.2020	31.3.2021	30.6.2021
Dream Sport	1	3	4	6	7

In addition, as of June 30, 2021, the Company operates 3 temporary stores (pop-ups).

1.4 Material events during the reporting period

1.4.1 Disclosure of the consequences of the spread of Covid-19 on the Group's activity

During 2020 and Q1 2021, the Government of Israel took various measures to contain the spread of Covid-19 and its consequences in Israel. In this framework, severe restrictions were imposed on citizen mobility, prohibiting gatherings, limiting the number of workers allowed to enter the workplace premises, closing commercial centers including malls and open shopping centers and prohibiting operation of businesses that were defined nonessential.

The following are the opening and closing periods of the stores in Israel in 2020 and Q1 2021:

Country	Lockdown	Date of closing all commercial centers	Reopening of the majority of commercial centers (*)	Number of days the stores remain closed	Total days
Israel	Lock down I	15.3.2020	7.5.2020	53	159
	Lock down II	18.9.2020	8.12.2020	51	
	Lock down III	27.12.2020	21.2.2020	55	

(*) On April 28, 2020, the Group's street-side stores and stores in commercial centers have gradually reopened and on May 7, 2020, the Group's stores in malls have reopened subject to compliance with the guidelines and restrictions imposed to ensure public health, among others, in relation to the number of staff and customers.

On November 8, 2020, the Group's street-side stores reopened and on November 16, 2020 also stores in open malls have reopened and on December 8, 2020, most of the Group's stores in Israel have reopened.

The following are the number of days the Group's stores remain closed for Q1 2021 and for the corresponding period last year:

Country	Number of days lockdown H1 2021	Number of days lockdown H1 2020	Number of days lockdown Q2 2021	Number of days lockdown Q2 2020
Israel	51	53	-	37
Canada	129-149	97	83	84
The Netherlands (*)	61	48	-	36
Belgium (*)	-	54	-	41
Germany (*)	129	53	52	39
Poland (**)	75-82	-	34	-
Hungary (**)	30	-	7	-

(*) The activities in Germany, the Netherlands and Belgium were acquired on March 1, 2020 and the period of lockdown in the above table refers to the period from acquisition until the end of H1 2020.

(**) The Group did not operate the stores in Poland and Hungary in H1 last year.

See information regarding the impact of the lockdowns in Israel and abroad in Note 1a to the Company's annual financial statements as of December 31, 2020.

The impact of Lockdown III in Israel on the Company

Following a significant rise in morbidity, on December 27, 2020, the Government of Israel decided to impose restrictions on economic activity and gatherings and also ban commercial activity. Accordingly, all Group's stores in Israel closed.

Similar as in previous lockdowns, in Q1 2021 the Company made several cost-saving moves which included, among others, putting all Company's employees and managers on unpaid leave, with the exception of a limited number of employees and managers mostly at the Company's headquarters, which operated only in a limited basis (in scale and salary) for the sake of business continuity. Further, the Company's management (including the Company's CEO and other officers) informed on temporary and partial waiver of salary during the period.

Further, during the reporting period, the Company has reached agreements with most of the lessors in Israel that no rent payments and management fees (part or full) will be due for the period in which operation of stores was banned (from December 27, 2020).

On February 21, 2020, trade restrictions were lifted and all Company's stores in malls in Israel reopened, subject to compliance with the guidelines and restrictions imposed to ensure public health, among others, in relation to the number of staff and customers and the Company's employees and managers returned to work on a regular basis. In March and April 2021, mainly due to the extensive national vaccination campaign, the market began gradually reopening and almost returned to normal activity.

The impact of Covid-19 on the Group's stores abroad

Similar to what was happening in Israel, many countries around the world have responded in the same way as Israel and imposed various restrictions on trade following the spread of Covid-19:

Europe

The Group's stores in Belgium moved on March 27, 2021 to operate in the format of shopping by appointment and on April 26, 2021 stores reopened fully.

The Group's stores in the Netherlands closed on December 15, 2020 and reopened on March 3, 2021 with restrictions of shopping by appointment and limited number of customers allowed inside at any time. On April 28, 2021, the Group's stores in the Netherlands reopened fully.

The Group's store in Germany closed on December 16, 2020 and reopened on March 8, 2021 with restrictions of shopping by appointment and limited number of customers. Despite the above and pursuant to the decision of the local authority, the Group's store in Germany closed again on March 20, 2021 and reopened on May 22, 2021 with restrictions of limited number of customers allowed inside at any time (until mid-July).

The Group's stores in Poland closed from December 25, 2020 until February 1, 2021 and closed again from March 14, 2021 until March 22, 2021 and reopened on May 4, 2021.

The Group's stores in Hungary closed on March 8, 2021 and reopened on April 7, 2021.

Canada

Some of the Group's stores in Canada closed on November 23 2020 and other stores closed during December and entirely closed on December 26, 2020. The Group's stores in Canada reopened gradually from February 16, 2021 until the reopening of all of the Group's stores in Canada on March 8, 2021. The Group's stores in Canada closed again on April 8, 2021 and reopened on June 30, 2021.

The subsidiaries in Canada and Europe reached various agreements with lessors regarding discounts on rent payments for the period in which operation of stores was banned and some also for the period after the stores reopened. According to the agreements, discounts on rent payments and management fees are for several months.

Government support

Subsidiaries in Europe and Canada are entitled to receive support grants from the relevant countries for employees' salary expenses, loss of income and one-time expenses. In the periods of six and three months ended June 30, 2021, the subsidiaries recognized such grants against a deduction in selling and marketing expenses of approximately NIS 11,378 thousand and NIS 5,826 thousand, respectively.

In addition, as part of the Government of Israel financial plan to help large business (with annual turnover of over NIS 400 million) that have been affected by the Covid-19 crisis, property tax relief will be given for the months which have significantly impacted the Company's revenues (in the relevant months). Accordingly, in Q2 2021, the Company recognized a deduction in selling and marketing expenses of approximately NIS 1,200 thousand.

The cash balance of the Company and subsidiaries totaled approximately NIS 702.8 million as of June 30, 2021.

Total short and long-term credit in the consolidated financial statements was approximately NIS 47.6 million as of June 30, 2021.

For paying the Company's working capital, in 2020, the Company took an owner's loan from the parent company, Fox, which has been repaid in full in March 2021.

The Company's management estimates that its balance of cash and cash equivalents, low leverage ratio and capital raised in May 2021 (issuance of its shares to the public and allocation to Foot Locker Inc., see also Note 3i to the financial statements), mitigate the exposure to financial instability caused by Covid-19.

In view of the recent significant increase in Covid-19 cases in Israel, the Government of Israel decided to tighten domestic restrictions, expand the "green pass" and start to apply the "purple pass" in malls and places of commerce on August 18, 2021.

As of the reporting date, all of the Group's stores in Israel and abroad are open in accordance with the relevant guidelines and regulations for containment of Covid-19.

The Covid-19 crisis is a dynamic event and the extent of its impact on the Group's results in the remaining 2021 and onward depends, among others, on the scope and severity of the restrictions imposed or lifted and how long will it take to return to regular activity.

The potential effects of the spread of Covid-19 on the Group's activity and how the Group will respond to the Covid-19 crisis in the future, as described above and below, is a forward looking information, as defined in the Securities Law, whose realization is uncertain and beyond the Company's control. Such information is based on the Company's assessments and forecasts available at the time the report is published which depend, among others, on the way in which the virus will be transmitted in the future and the corresponding measures taken in Israel and around the world which could have a significant effect on the Group's activity. Currently, the Company is unable to estimate the possible consequences on its future operations and results because the degree of impact on the Group's activity depends, among others, on the level and extent of their realization.

- 1.4.2** On February 16, 2021, an amendment to the agreements regarding the option granted to Leumi Partners under the original agreement and the shareholders' agreement, as elaborated in Note 3a to the financial statements, was signed. On May 13, 2021, shortly before the publication of the prospectus, the Company allocated to Leumi Partners shares, according to the above amendment to the agreements, and Leumi Partners sold those shares in a tender offer.
- 1.4.3** As for information regarding an update of the employment terms of Mr. Tomer Czapnik, CEO Retailors Nike Stores International, the son-in-law of Mr. Harel Wizel, who is the Chairman of the Company's Board and one of the controlling shareholders in Fox, the controlling shareholder in the Company, including the approval to allocate to Mr. Czapnik RSUs after the completion of the offering to the public, see Note 3b to the financial statements.
- 1.4.4** As for information regarding the agreement between the Company, Fox and Foot Locker Retail Inc. ("**Foot Locker Inc.**") for the allocation of the Company's shares to Foot Locker Inc. and Fox undertaking to vote for the election of the candidate of Foot Locker Inc. as a director or to allow Foot Locker Inc. to appoint an observer on the Company's Board and the completion of the allocation of Company's shares to Foot Locker Inc. in consideration of approximately NIS 221.8 million on May 13, 2021 with the publication of the prospectus, see Note 3c to the financial statements.
- 1.4.5** As for information regarding agreements with Fox for management and consulting services, service and burden and customers' club, see Note 3e and f to the financial statements.
- 1.4.6** As for information regarding the agreement with Terminal X Online Ltd., a company controlled by Fox, regarding e-commerce sites under the "Foot Locker" and "Dream Sport" brands, see Note 3d to the financial statements.
- 1.4.7** As for information regarding the demarcation agreement with Fox, the controlling shareholder in the Company, and the conflict of interest agreement pertaining to officers in Fox group who may be appointed as officers in the Company, see Note 3h to the financial statements.

- 1.4.8** As for information regarding a planned private placement of RSUs to Messer. Mr. Danny Gaoni, Operations Manager of Nike Israel, Foot Locker Israel and Dream Sport and to the Company's CEO, Mr. Dov Schneidman, and to Mr. Tomer Czapnik (see 1.4.3 above), after the completion of the offering to the public, see Note 3g to the financial statements.
- 1.4.9** As for information regarding the issuance of the Company's shares and their registration for trade on the Tel-Aviv Stock Exchange, see Note 3i to the financial statements.
- 1.4.10** As for information regarding agreements for the acquisition of the activity of five Nike stores in Europe (two stores in Hungary, two in the Czech Republic and one in Slovakia) by a subsidiary and the completion of the transaction on July 15, 2021, see Note 3j to the financial statements.
- 1.4.11** As for information regarding the early repayment of two of the Company's loans, see Note 3k to the financial statements.

1.5 Significant events after the reporting date

- 1.5.1** As for information regarding the early repayment of four of the Company's loans, see Note 7b to the financial statements.
- 1.5.2** As for information regarding the approval of the appointments of Messer. John Maurer, Noa Landau and Keren Kurtz Zilber as directors of the Company, of Mr. Israel Yaakobi as an independent director of the Company and of Messer. Orit Alster and Dalia Tal as external directors of the Company in addition to directors serving in the Company, by the Company's general meeting, which was held on August 16, 2021, see Note 7c to the financial statements.
- 1.5.3** As for information regarding the Company's memorandum of understanding (non-binding) with Energym Ltd. ("Energym "), the shareholders in Energym, Messer. Perry Arnon and Farhiya Moshe, each holds 50% of the share capital of Energym ("the sellers") and Energym Concept Ltd. ("Energym Concept"), which is 80% held by the sellers, in connection with a transaction (subject to signing binding agreements), under which the Company will purchase shares in Energym for the total consideration of approximately NIS 32.75 million, subject to the terms set, of which approximately NIS 14.25 million by allocation of Energym shares to the Company and the balance, approximately NIS 18.5 million, by buying shares from the sellers (in equal parts), such that upon completion of the transaction, the Company will hold about 50.98% and each of the sellers will hold about 24.51% of the share capital and voting rights in Energym (it is clarified that the above payment is also for the purchase of about 51% of Energym Concept shares by the Company). See Note 7d to the financial statements.
- 1.5.4** As for information regarding the appointment of an internal auditor of the Company, see paragraph 10 below.

1.6. As for information regarding material legal proceedings, including class actions filed against the Company, see Note 7a to the financial statements and Note 17a to the Company's financial statements as of December 31, 2020.

2. **Below is the structure of activities of the Company according to the presentation in segment and accounting reporting**

	Accounting reporting					
	Foot Locker	Nike	Other	Total before adjustments based on 100% of operations	Adjustments to operating results	Total consolidated financial statements
Revenues from sales and services	Foot Locker Israel, Foot Locker Europe	Nike Israel, Nike Canada, Nike Europe (*)	Dream Sport	Subtotal – Foot Locker, Nike and other	Less - 100% of sales - Foot Locker Europe	Sales - Foot Locker Israel, Nike Israel, Nike Canada, Nike Europe, Dream Sport
Gross profit	Foot Locker Israel, Foot Locker Europe	Nike Israel, Nike Canada, Nike Europe (*)	Dream Sport	Subtotal - Foot Locker, Nike and other	Less - 100% of gross profit - Foot Locker Europe	Gross profit - Foot Locker Israel, Nike Israel, Nike Canada, Nike Europe, Dream Sport
Operating income	Foot Locker Israel, Foot Locker Europe	Nike Israel, Nike Canada, Nike Europe (*)	Dream Sport	Subtotal - Foot Locker, Nike and other	Less - 100% of operating income (*) Add - 49% of equity earnings to a company - Foot Locker Europe	Operating income - Foot Locker Israel, Nike Israel, Nike Canada, Nike Europe, Dream Sport Add - 49% of equity earnings to a company - Foot Locker Europe

(*) The activity – Nike Europe – comprises the companies Retailors-FL NK Ventures B.V. and Retailors Europe B.V..

The Group's business results according to operating segments (for the six and three months ended June 30, 2021 and 2020 (NIS in thousands))

In furtherance to the application of IFRS 11, the results of the reported company (Foot Locker Europe) are accounted for using the equity method.

In order to present segment reporting results based on the areas of operation of the Company and the information that is reviewed by the chief operating decision maker (the CODM) the data for sales and segment income of the reported company using the equity method are presented at full holding rate (100%) and a corresponding adjustment of sales and segment income was made to present the segment's results based on the actual holding rate under the 'adjustments' column.

	1-6/2021					
	Nike (Nike Israel, Nike Canada, Nike Europe)	Foot Locker (Foot Locker Israel)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Total revenues	184,730	202,631	35,688	423,049	(9,090)	413,959
% of total revenues	43.7%	47.9%	8.4%	100.0%	-	-
Gross profit	95,858	95,532	15,273	206,663	(4,184)	202,479
Operating income (loss)	22,937	14,278	(2,212)	35,003	2,218	37,221
Profit margin	12.4%	7.0%	(6.2%)	8.3%	-	9.0%

	1-6/2020					
	Nike (Nike Israel, Nike Canada, Nike Europe)	Foot Locker (Foot Locker Israel)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Total revenues	124,595	129,094	1,267	254,956	-	254,956
% of total revenues	48.9%	50.6%	0.5%	100%	-	100%
Gross profit	64,522	59,597	533	124,652	-	124,652
Operating income (loss)	13,632	11,677	(315)	24,994	-	24,994
Profit margin	10.9%	9.0%	(24.9%)	9.8%	-	9.8%

	4-6/2021					
	Nike (Nike Israel, Nike Canada, Nike Europe)	Foot Locker (Foot Locker Israel)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Total revenues	106,873	118,173	21,778	246,824	(5,968)	240,856
% of total revenues	43.3%	47.9%	8.8%	100.0%	-	-
Gross profit	56,558	56,710	9,510	122,778	(3,021)	119,757
Operating income (loss)	13,833	10,895	(448)	24,280	720	25,000
Profit margin	12.9%	9.2%	(2.1%)	9.8%	-	10.4%

	4-6/2020					
	Nike (Nike Israel, Nike Canada, Nike Europe)	Foot Locker (Foot Locker Israel)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Total revenues	59,507	64,126	1,267	124,900	-	124,900
% of total revenues	47.6%	51.4%	1.0%	100.0%	-	-
Gross profit	31,421	30,042	533	61,996	-	61,996
Operating income (loss)	9,384	8,587	(315)	17,656	-	17,656
Profit margin	15.8%	13.4%	(24.9%)	14.1%	-	14.1%

Following are details of the change in same-store sales for each of the Company's operating segments for the 2021 and 2019 (**) (***):

Same-store sales for the six months period

	Foot Locker		Nike	
	1-6/2021	1-6/2019	1-6/2021	1-6/2019
Total same-store sales (NIS in thousands) (*)	112,781	72,795	61,336	44,838

	Foot Locker			Nike		
	1-6			1-6		
	2021	2020	2019	2021	2020	2019
% of change in same-store sales	54.9%	24.4%	23.5%	36.8%	23.4%	30.8%

Data used in calculating same stores in 2021 is from February 21 to June 30 and for the same period in 2019.

(*) Stores used in calculating sales are only stores which operated continuously and regularly throughout the entire **relevant periods** in 2021 and 2019 with no change in area.

(**) The Company chose to compare data of same stores with the corresponding period in 2019 (and not in 2020) because already at the beginning of March 2020 sales dropped due to the negative consequences of the spread of Covid-19 in Israel and on March 15 all stores closed and on May 7 reopened according to the directives of the Government and, therefore, the basis of comparison with the period in which the stores operated in 2021 is very narrow.

(***) The data do not include the Group's sales abroad, due to multiple lockdowns during the first half.

The increase in same-store sales in the period from February 21 to June 30, 2021 compared to the corresponding period in 2019 results, among others, from growth in sales in post-closure periods to customers who bought goods they were unable to obtain or avoided shopping during lockdown periods.

Same-store sales for the periods from February 21 to March 14 and from May 7 to June 30, 2021 compared to the corresponding periods in 2020 increased in the Nike and Foot Locker segments by 1.5% and 17.3%, respectively. It is indicated that there was a marked increase in sales in post-closure periods.

Same-store sales for the three months period

	Foot Locker		Nike	
	4-6/2021	4-6/2019	4-6/2021	4-6/2019
Total same-store sales (NIS in thousands) (*)	65,940	52,243	40,926	36,454

	Foot Locker			Nike		
	4-6			4-6		
	2021	2020	2019	2021	2020	2019
% of change in same-store sales	26.2%	48.7%	31.2%	12.3%	25.4%	34.1%

Same-store sales for the period from May 7 to June 30, 2021 compared to the corresponding period in 2020 decreased in the Nike and Foot Locker segments by 15.5% and 11.3%, respectively.

The decrease in same-store sales in the period from May 7 to June 30, 2021 compared to the corresponding period in 2020 results, among others, from growth in sales in post-closure periods to customers who bought goods they were unable to obtain or avoided shopping during the first lockdown in 2020.

Sales per sq.m. (not in same stores)

Following are details of sales per sq.m. for each of the Company's operating segments for the reporting period in 2021 and 2020:

For the six months period

	Foot Locker			Nike		
	1-6			1-6		
	2021	2020	2019	2021	2020	2019
Total sales per sq.m. (in NIS) (**)	3,506	3,036	2,814	3,010	2,469	2,411
Total areas used in calculating sales per sq.m. (in sq.m. (***))	13,680	9,366	7,862	15,651	11,115	9,545
% of change in retail spaces	46.1%	19.1%	58.9%	40.8% (*)	16.4%	25.0%

For the three months period

	Foot Locker			Nike		
	4-6			4-6		
	2021	2020	2019	2021	2020	2019
Total sales per sq.m. (in NIS) (**)	2,929	3,451	2,889	2,536	2,507	2,598
Total areas used in calculating sales per sq.m. (in sq.m. (***))	13,882	9,109	8,192	15,729	11,634	9,805
% of change in retail spaces	52.4%	11.2%	57.0%	35.2% (*)	18.7%	22.4%

(**) Data of sales per sq.m. are not same store data and are also affected by changes in store size. Data of sales used in calculating sales per sq.m. included all forms of payment accepted by the store less VAT and less all discounts and promotions, including the redemption of Dream Card club points, discount vouchers and gift cards.

(***) Data of area in sq.m. used in the calculation are in net terms and exclude public areas and warehouses. The calculation of total area for the period in sq.m. was made relatively according to the number of months of operation of each store.

Data used in calculating sales per sq.m. in H1 2021 is from February 21 to June 30. Data used in calculating sales per sq.m. in H1 2020 is from January 1 to March 14 and from May 7 to June 30.

Data used in calculating sales per sq.m. in Q2 2021 is from April 1 to June 30. Data used in calculating sales per sq.m. in Q2 2020 is from May 7 to June 30.

Data used for stores in Europe and Canada do not take into account the periods in which stores were closed due to restrictions imposed on opening the chain stores because of the spread of Covid-19.

Data used in 2021 do not take into account sales and retail spaces of stores in Canada because of the extended lockdown period.

The percentage of change in retail spaces, including the retail spaces in Canada, in H1 and Q2 in 2021 compared to 2020 is 68.0% and 62.5%, respectively.

Metric	Way of computation/ components	Information about the purpose of the metric	Input
Same-store sales	Rate of change in revenues from sales in stores that have been operating for 12 months or more from the beginning of the fiscal year	This figure, which is usually presented (as a percentage) relative to the previous period, allows the Company's management to measure how sales change in each year (period), excluding stores that have opened or closed or changed in size during a period of less than a year, thus presenting the Company's management with a reliable picture of the business change without stores that have not yet been established and completed a full year of operation that cause bias.	See details in the table above
Sales per sq.m. (for all stores, including stores that are not same stores)	Total store revenue over the period of time the stores were opened divided by store area (sq.m.)	This figure allows the Company's management to measure how efficient it is with the use of retail space for improving sales.	See details in the table above
Net debt	Total cash and cash equivalents less short and long-term credit from banks and related parties	The metric allows to evaluate the Company's capital structure and its leverage ratio.	See paragraph 1.4.1

2.1 Foot Locker segment

Sales

For the six months period (NIS in millions)

	1-6/2021	1-6/2020	Rate of change
Sales	202.6	129.1	57.0%

For the three months period (NIS in millions)

	4-6/2021	4-6/2020	Rate of change
Sales	118.2	64.1	84.3%

The main increase in sales turnover in H1 compared to the corresponding period of last year arises from the increase in retail space of the chain in Europe and Israel as well as from growth in same-stores sales in the period in which the stores were opened even though from May 10 to May 21, 2021, the "Wall Guard" operation took place, which led to a decline in sales because of the security condition in Israel.

The increase in sales turnover in Q2 compared to the corresponding quarter last year arises from the increase in retail space of the chain in Europe and Israel as well as from the slowdown in sales last year due to the spread of Covid-19 and the closure of the stores from March 15 to May 7, 2020 and this despite the growth in sales with the lifting of the first lockdown in 2020, which was partially offset by the decrease in sales in the period of "Wall Guard" operation, as elaborated above.

Gross profit

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Gross profit	95.5	47.1%	59.6	46.2%	60.3%	0.9%

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Gross profit	56.7	48.0%	30.0	46.8%	88.8%	1.2%

The increase in gross profit in the reporting periods is mainly a result of the increase in sales, as elaborated above.

The increase in gross profit margin in the reporting periods compared to the corresponding periods of last year is mainly a result of the decrease in the level of discounts offered in the chain stores compared to the corresponding periods of last year.

Operating income

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Operating income	14.3	7.0%	11.7	9.0%	22.3%	(2.0%)

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Operating income	10.9	9.2%	8.6	13.4%	26.9%	(4.2%)

The increase in operating income in H1 compared to the corresponding period of last year mainly arises from the increase in sales and gross profit, as stated above, offset by the increase in operating expenses primarily in the operation of the chain in Europe (which began operation in Q4 2020) in the period in which the stores were closed.

The increase in operating income in Q2 compared to the corresponding quarter last year mainly arises from the increase in sales and gross profit, as stated above, offset by the increase in operating expenses primarily in the operation of the chain in Europe (which began operation in Q4 2020) in the period in which the stores were closed and this despite a strong growth in sales in the quarter last year after the first lockdown and a large reduction in major operating expenses during and after the lockdown period.

2.2 Nike segment

Sales

For the six months period (NIS in millions)

	1-6/2021	1-6/2020	Rate of change
Sales	184.7	124.6	48.3%

For the three months period (NIS in millions)

	4-6/2021	4-6/2020	Rate of change
Sales	106.9	59.5	79.6%

The main increase in sales turnover in H1 of the year compared to the corresponding period of last year arises from the increase in retail space of the chain in Europe (which began operation in March 2020) as well as from growth in same-stores sales in the period in which the stores were opened even though from May 10 to May 21, 2021, the "Wall Guard" operation took place, which led to a decline in sales because of the security condition in Israel.

The increase in sales turnover in Q2 compared to the corresponding quarter last year arises from the increase in retail space of the chain in Europe as well as from the slowdown in sales last year due to the spread of Covid-19 and the closure of the stores in Israel from March 15 to May 7, 2020, similarly to some countries in Europe, this despite the growth in sales with the lifting of the first lockdown in 2020, which was partially offset by the decrease in sales in the period of "Wall Guard" operation, as elaborated above.

Gross profit

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Gross profit	95.9	51.9%	64.5	51.8%	48.6%	0.1%

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Gross profit	56.6	52.9%	31.4	52.8%	80.0%	0.1%

The increase in gross profit is mainly a result of the increase in sales, as elaborated above.

Operating income

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Operating income	22.9	12.4%	13.6	10.9%	68.3%	1.5%

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Operating income	13.8	12.9%	9.4	15.8%	46.8%	(2.9%)

The increase in operating income in H1 compared to the corresponding period of last year mainly arises from the increase in sales and gross profit, as stated above, including assistance grants in the total of approximately NIS 11.9 million received from the governments in Canada, Europe and Israel and recognized in H1 (see paragraph 1.4.1).

The increase in operating income in Q2 compared to the corresponding quarter last year mainly arises from the increase in sales and gross profit, as stated above, including assistance grants in the total of approximately NIS 6.3 million received from the governments in Canada, Europe and Israel and recognized in Q2 and this despite a strong growth in sales in the quarter last year after the first lockdown and a large reduction in major operating expenses during and after the lockdown period.

ACCOUNTING REPORT

3. The Company's business results

- a. The Company's revenues are affected by seasonality, which is usually reflected in higher sales during Passover, the Jewish New Year holidays and the fourth quarter of the year primarily because of increased sales in Europe and Canada before Christmas. There is also an increase in Company's revenues in the back-to-school season.
- b. The Company has elected as its accounting policy to present equity earnings of companies accounted for at equity in operating income since the investment in these companies forms part of the Company's operating and strategic activity.

Condensed consolidated accounting statements of profit or loss (NIS in thousands)

	Period		Quarter		Year 2020
	1-6/2021	1-6/2020	4-6/2021	4-6/2020	
Revenues from sales	413,959	254,956	240,856	124,900	637,659
Cost of sales	211,480	130,304	121,099	62,904	324,509
Gross profit	202,479	124,652	119,757	61,996	313,150
Gross profit margin	48.9%	48.9%	49.7%	49.6%	49.1%
Selling and marketing expenses	157,597	97,198	90,499	43,018	230,745
General and administrative expenses	6,384	2,460	3,640	1,322	6,672
Equity losses	1,277	-	618	-	820
Operating income	37,221	24,994	25,000	17,656	74,913
Operating income margin (*)	9%	9.8%	10.4%	14.1%	11.7%
Finance expenses, net	11,085	5,887	7,537	2,401	13,205
Finance expenses on revaluation of Leumi Partners option	18,308	-	-	-	76,615
Income (loss) before taxes on income	7,828	19,107	17,463	15,255	(14,907)
Taxes on income	6,525	4,090	4,478	3,245	15,320
Net income (loss)	1,303	15,017	12,985	12,010	(30,227)
Net income (loss) margin	0.3%	5.9%	5.4%	9.6%	(4.7%)
Net income less revaluation of option	19,611	15,017	12,985	12,010	46,388
Net income margin	4.7%	5.9%	5.4%	9.6%	7.3%

- (*) Please refer to the segment analysis in order to compare the results to the corresponding period of last year.

Sales

For the six months period (NIS in millions)

	1-6/2021	1-6/2020	Rate of change
Sales	414.0	255.0	62.4%

For the three months period (NIS in millions)

	4-6/2021	4-6/2020	Rate of change
Sales	240.9	124.9	92.8%

The increase in sales turnover in H1 compared to the corresponding period of last year arises from increase in retail space mostly in the Dream Sport chain in Israel, Nike chain in Europe and Foot Locker chain in Europe and Israel as well as from growth in same-stores sales in the period in which the stores were opened even though from May 10 to May 21, 2021, the "Wall Guard" operation took place, which led to a decline in sales because of the security condition in Israel.

The increase in sales turnover in Q2 compared to the corresponding quarter last year arises from the increase in retail space of the chain, as indicated above, as well as from the slowdown in sales last year due to the spread of Covid-19 and the closure of the stores from March 15 to May 7, 2020, similarly to some countries in Europe, this despite the growth in sales with the lifting of the first lockdown in 2020, which was partially offset by the decrease in sales in the period of "Wall Guard" operation, as elaborated above.

Gross profit

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Gross profit	202.5	48.9%	124.7	48.9%	62.4%	0.0%

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Gross profit	119.8	49.7%	62.0	49.6%	93.2%	0.1%

The increase in gross profit in the reporting periods compared to the corresponding periods of last year is mainly a result of the increase in sales, as elaborated above.

For an analysis of the gross profit margin, see the Group's business results according to operating segments above.

Selling and marketing expenses

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Selling and marketing expenses	157.6	38.0%	97.2	38.1%	62.1%	(0.1%)

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Selling and marketing expenses	90.5	37.6%	43.0	34.4%	110.5%	3.2%

The increase in selling and marketing expenses in H1 compared to the corresponding period of last year mainly arises from the increase in expenses following the growth in retail space, which were partially offset by the total amount of approximately NIS 12.6 million from assistance grants received from the governments in Canada, Europe and Israel and recognized in H1 (see paragraph 1.4.1).

The increase in selling and marketing expenses in Q2 compared to the corresponding quarter last year mainly arises from the increase in expenses following the growth in retail space, which were partially offset by the total amount of approximately NIS 7.0 million from assistance grants received from the governments in Canada, Europe and Israel and recognized in Q2 and from the decrease in major operating expenses in the corresponding quarter last year following the Group's management actions to reduce selling and marketing expenses during and after the first lockdown period.

General and administrative expenses

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
General and administrative expenses	6.4	1.5%	2.5	1.0%	159.5%	0.5%

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
General and administrative expenses	3.6	1.5%	1.3	1.1%	175.3%	0.4%

The increase in general and administrative expenses in the reporting periods compared to the corresponding periods of last year mainly arises from issue expenses of approximately NIS 2.9 million and NIS 1.3 million for the six and three months ended June 30, 2021, respectively, related to the issuance of the Company on the Tel-Aviv Stock Exchange in Q2 of the years and from adding the expenses of companies which have been initially consolidated in March 2020.

Equity loss

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Equity loss	1.3	0.3%	-	-	-	0.3%

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Equity loss	0.6	0.3%	-	-	-	0.3%

The increase in equity losses in the reporting period compared to the corresponding period of last year arises from the activity of an associate which was acquired in Q3 2020.

Operating income

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Operating income	37.2	9.0%	25.0	9.8%	48.8%	(0.8%)

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Operating income	25.0	10.4%	17.7	14.1%	41.2%	(3.7%)

For an analysis of the operating income, see the Group's business results according to operating segments.

Finance expenses / income

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Finance expenses, net	29.4	7.1%	5.9	2.3%	399.3%	4.8%
Finance expenses, net before effect of adoption of IFRS 16, "Leases"	22.7	5.5%	0.7	0.3%	3337.1%	5.2%

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Finance expenses, net	7.5	3.1%	2.4	1.9%	213.9%	1.2%
Finance expenses, net before effect of adoption of IFRS 16, "Leases"	3.4	1.4%	0.5	0.4%	580.0%	1.0%

Net finance expenses in H1 of the year derived mainly from accounting finance expenses of approximately NIS 18.3 million related to revaluation of option, finance expenses of approximately NIS 6.6 million related to lease liability, interest expenses on long-term loans of approximately NIS 0.7 million, commissions and miscellaneous of approximately NIS 1.5 million and from revaluation of net balances in foreign currency of approximately NIS 3.0 million.

Net finance expenses in H1 of last year derived mainly from finance expenses of approximately NIS 5.2 million related to lease liability, interest expenses on long-term loans of approximately NIS 1.1 million, commissions and miscellaneous of approximately NIS 0.2 million, which were offset by the amount of approximately NIS 0.6 million from income related to revaluation of net balances in foreign currency.

Net finance expenses in Q2 of the year derived mainly from finance expenses of approximately NIS 4.2 million related to lease liability, interest expenses on long-term loans of approximately NIS 0.2 million, commissions and miscellaneous of approximately NIS 0.3 million and from revaluation of net balances in foreign currency of approximately NIS 2.8 million.

Net finance expenses in Q2 of last year derived mainly from finance expenses of approximately NIS 1.9 million related to lease liability, interest expenses on long-term loans of approximately NIS 0.6 million, commissions and miscellaneous of approximately NIS 0.1 million, which were offset by the amount of approximately NIS 0.2 million from income related to revaluation of net balances in foreign currency.

Tax burden

For the six months period

	1-6/2021 (*)	1-6/2020
Tax burden (less equity earnings)	23.8%	21.4%

For the three months period

	4-6/2021	4-6/2020
Tax burden (less equity earnings)	24.8%	21.3%

*) Less revaluation of Leumi option.

Net income

For the six months period (NIS in millions)

	1-6/2021		1-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Net income	1.3	0.3%	15.0	5.9%	(91.3%)	(5.6%)
Net income less expenses related to revaluation of option	19.6	4.7%	15.0	5.9%	30.6%	(1.2%)

For the three months period (NIS in millions)

	4-6/2021		4-6/2020		Rate of change	Change compared to turnover
	Amount	% of turnover	Amount	% of turnover		
Net income	13.0	5.4%	12.0	9.6%	8.1%	(4.2%)
Net income less expenses related to revaluation of option	13.0	5.4%	12.0	9.6%	8.1%	(4.2%)

Earnings per share

For the six months period (in NIS)

	1-6/2021	1-6/2020
Basic and diluted net earnings per share	0.02	0.50

For the three months period (in NIS)

	4-6/2021	4-6/2020
Basic and diluted net earnings per share	0.30	0.37

4. Effect of initial adoption of IFRS 16, "Leases"

The Company has initially adopted IFRS 16, "Leases" in Q1 2019.

IFRS 16 has an effect on the financial statements and, accordingly, the Company elected to indicate the effect of IFRS 16 on the results.

The effect of IFRS 16, "Leases" on the consolidated statement of profit or loss (NIS in thousands)

Item	1-6/2021		1-6/2020	
	As previously reported	Before the adoption of IFRS 16, "Leases"	As previously reported	Before the adoption of IFRS 16, "Leases"
Operating income	37,221	35,750	25,000	23,855
Finance expenses, net	29,393	22,733	7,537	3,413
Income before taxes on income	7,828	13,017	17,463	20,442
Taxes on income	6,525	7,765	4,478	4,984
Net income	1,303	5,252	12,985	15,458
Net income less revaluation of option	19,611	23,560	12,985	15,458
Income attributable to equity holders of the Company (including revaluation of option)	765	4,055	11,947	14,069
EBITDA	86,423	*) 46,294	54,176	*) 29,696

Item	4-6/2021		4-6/2020	
	As previously reported	Before the adoption of IFRS 16, "Leases"	As previously reported	Before the adoption of IFRS 16, "Leases"
Operating income	24,994	21,906	17,656	16,847
Finance expenses, net	5,887	662	2,401	538
Income before taxes on income	19,107	21,244	15,255	16,310
Taxes on income	4,090	4,613	3,245	3,515
Net income	15,017	16,631	12,010	12,795
Income attributable to equity holders of the Company	15,785	17,330	12,129	12,876
EBITDA	55,681	*) 28,439	30,687	*) 20,500

(*) Adjusted EBITDA.

The Group's operating income according to operating segments before the adoption of IFRS 16, "Leases" for the six and three months ended June 30, 2021 and 2020 (NIS in thousands)

For the six months period (NIS in millions)

	1-6/2021					
	Foot Locker (Foot Locker Israel, Foot Locker Europe)	Nike (Nike Israel, Nike Canada, Nike Europe)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Operating income	13,238	21,902	(1,720)	33,420	2,330	35,750
Profit margin	6.5%	11.9%	(4.8%)	7.7%	-	8.6%
Depreciation and amortization	4,591	6,039	494	11,124	(580)	10,544
Adjusted EBITDA	17,829	27,941	(1,226)	44,544	1,750	46,294

	1-6/2020					
	Foot Locker (Foot Locker Israel)	Nike (Nike Israel, Nike Canada)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Operating income	10,206	12,015	(315)	21,906	-	21,906
Profit margin	7.9%	9.6%	(24.9%)	8.6%	-	8.6%
Depreciation and amortization	2,774	3,735	24	6,533	-	6,533
Adjusted EBITDA	12,980	15,750	(291)	28,439	-	28,439

For the three months period (NIS in millions)

	4-6/2021					
	Foot Locker (Foot Locker Israel, Foot Locker Europe)	Nike (Nike Israel, Nike Canada, Nike Europe)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Operating income	9,980	13,474	(373)	23,081	774	23,855
Profit margin	8.4%	12.6%	(1.7%)	8.9%	-	9.9%
Depreciation and amortization	2,544	3,262	253	6,059	(218)	5,841
Adjusted EBITDA	12,524	16,736	(120)	29,140	556	29,696

	4-6/2020					
	Foot Locker (Foot Locker Israel)	Nike (Nike Israel, Nike Canada)	Other (Dream Sport)	Total before adjustments based on 100% of operations	Adjustments	Total consolidated financial statements
Operating income	8,048	9,114	(315)	16,847	-	16,847
Profit margin	12.6%	15.3%	(24.9%)	13.5%	-	13.5%
Depreciation and amortization	1,494	2,135	24	3,653	-	3,653
Adjusted EBITDA	9,542	11,249	(291)	20,500	-	20,500

- (*) Adjusted EBITDA – operating income, excluding depreciation expenses of right-of-use assets (according to IFRS 16), including rent expenses (in the scope of the computation of IFRS 16), excluding depreciation and amortization expenses of property, plant and equipment and other assets. The adjusted EBITDA for each segment is calculated by adding the operating income and the relevant amounts of depreciation and amortization.

Metric	Way of computation/ components	Information about the purpose of the metric	Input
EBITDA	Operating income (before finance expenses and taxes) excluding depreciation and amortization expenses of property, plant and equipment and other assets and depreciation expenses of right-of-use assets (the effect of IFRS 16)	A common metric which makes it possible to know what the Company's operating profit is (before finance expenses and taxes), excluding items that are included in operating income but are not cash flow, such as depreciation and amortization. A kind of operating cash flow.	See details in the table above
EBITDA derived from revenues	EBITDA divided by total revenues from the activity for the relevant period	The purpose of the metric is to examine the level of profitability of an activity using the EBITDA margin as a percentage of revenues for a comparison to other activities or other periods	See details of EBITDA and revenues in the tables above
Adjusted EBITDA derived from revenues	Adjusted EBITDA divided by total revenues from the activity for the relevant period	The purpose of the metric is to examine the level of profitability of an activity using the adjusted EBITDA margin as a percentage of revenues for a comparison to other activities or other periods	See details of adjusted EBITDA and revenues in the tables above
Adjusted EBITDA	Operating income, excluding depreciation expenses of right-of-use assets (according to IFRS 16), including rent expenses (in the scope of the computation of IFRS 16), excluding depreciation and amortization expenses of property, plant and equipment and other assets.	The purpose of using this metric is to present a picture of the Company's operating income less effects of non-recurring factors and less effect of the adoption of IFRS 16.	See details in the table above
Adjusted EBITDA per sq.m.	Operating income, excluding depreciation expenses of right-of-use assets (according to IFRS 16), including rent expenses (in the scope of the computation of IFRS 16), excluding depreciation and amortization expenses of property, plant and equipment and other assets.	The purpose of the metric is to examine the level of profitability of an activity using the adjusted EBITDA margin to total average sq.m. for a comparison to other activities or other periods	See details of adjusted EBITDA and revenues in the tables above

5. Financial position, equity, liquidity, financing resources and cash flows

5.1 Financial position

The Company's total balance sheet as of June 30, 2021 amounted to approximately NIS 1,939.9 million compared to approximately NIS 856.3 million as of June 30, 2020.

Below is an analysis of the major changes in the balance sheet items as of June 30, 2021 compared to the balance sheet as of June 30, 2020:

Current assets - total current assets as of June 30, 2021 amounted to approximately NIS 1,006.3 million, representing about 51.9% of total balance sheet, compared to approximately NIS 259.8 million, representing about 30.3% of total balance sheet as of June 30, 2020. The increase in current assets is a result of the increase in the balance of cash (following the issuance, see Note 3i to the financial statements), inventories, other accounts receivable and trade receivables.

Non-current assets - total non-current assets as of June 30, 2021 amounted to approximately NIS 933.6 million, representing about 48.1% of total balance sheet, compared to approximately NIS 596.4 million, representing about 69.7% of total balance sheet as of June 30, 2020. The increase in non-current assets is a result of the increase in right-of-use assets, long-term receivables, deferred taxes, property, plant and equipment, investments in companies accounted for at equity and restricted deposit, offset by the decrease in other intangible assets and store removal fees.

Current liabilities - total current liabilities as of June 30, 2021 amounted to approximately NIS 405.2 million, representing about 20.9% of total balance sheet, compared to approximately NIS 264.2 million, representing about 30.9% of total balance sheet as of June 30, 2020. The increase in current liabilities is a result of the increase in trade payables, current maturity of lease liability and other accounts payable, which was partially offset by the decrease in related parties and in the balance of credit from banks.

Non-current liabilities - total non-current liabilities as of June 30, 2021 amounted to approximately NIS 688.7, representing about 35.5% of total balance sheet, compared to approximately NIS 481.5 million, representing about 56.2% of total balance sheet as of June 30, 2020. The increase in non-current liabilities is a result of the increase in the remaining lease liability and the increase in employee benefit liabilities, net, offset by the decrease in the balance of long-term loans from banks.

The Company's consolidated working capital as of June 30, 2021 amounted to approximately NIS 601.1 million (approximately NIS 702.5 million before the adoption of IFRS 16, "Leases") (following the issuance), compared to approximately NIS (4.4) million (approximately NIS 63.6 million before the adoption of IFRS 16, "Leases") as of June 30, 2020.

The Company's consolidated current ratio as of June 30, 2021 was 2.49 (3.31 before the adoption of IFRS 16, "Leases") compared to 0.98 (1.32 before the adoption of IFRS 16, "Leases") as of June 30, 2020.

The Company's consolidated quick ratio as of June 30, 2021 was 2.03 (2.7 before the adoption of IFRS 16, "Leases") compared to 0.55 (0.74 before the adoption of IFRS 16, "Leases") as of June 30, 2020.

5.2 Equity

The Company's equity as of June 30, 2021 amounted to approximately NIS 846.1 million, compared to approximately NIS 110.5 million as of June 30, 2020. During H1, the Company's equity increased by approximately NIS 777.1 million. The increase is a result of a net amount of approximately NIS 669.6 million from the issuance of the Company's shares (see also Note 3i to the Company's financial statements), NIS 94.9 million from the exercise of Leumi Partners option, NIS 6.8 million from the tax effect on issue expenses, NIS 4.9 million from issuance of shares to minority, NIS 0.2 million from cost of share-based payment and NIS 0.7 million from comprehensive income.

The ratio of equity to total consolidated balance sheet as of June 30, 2021 is about 43.6% compared to about 12.9% as of June 30, 2020.

5.3 Liquidity and financing resources

As of June 30, 2021, the Company holds financial assets that consist of cash and restricted deposit totaling approximately NIS 718.0 million, less short-term credit that consists of short-term loans and current maturities of long-term loans totaling approximately NIS 23.2 million and loans from banks totaling approximately NIS 24.4 million. Total net financial balances amount to approximately NIS 670.4 million (financial liabilities exclude lease liability).

As of June 30, 2020, the Company holds financial assets that consist of cash totaling approximately NIS 74.4 million, less short-term credit that consists of short-term loans and current maturities of long-term loans totaling approximately NIS 58.8 million and loans from banks totaling approximately NIS 45.8 million. Total net financial balances amount to approximately NIS 30.2 million (financial liabilities exclude lease liability).

5.4 Condensed consolidated statements of cash flows (NIS in thousands)

	Six months ended June 30,	
	2021	2020
Net cash provided by operating activities	80,499	4,147
Net cash used in investing activities:		
a. Net cash used in purchasing property, plant and equipment and intangible assets, net	(17,119)	(20,724)
b. Issuance of shares to minority in subsidiary	-	18,419
c. Cash used in acquiring operations/companies	-	(29,112)
d. Restricted deposit	(6,580)	-
Net cash provided by financing activities	556,436	44,772
Adjustment arising from translating balances of cash	(480)	100
Increase in cash and cash equivalents	612,756	17,602

5.5 Cash flows from operating activities

Net cash provided by operating activities in the reporting period totaled approximately NIS 80.5 million, compared to net cash provided by operating activities totaling approximately NIS 4.1 million in the corresponding period of last year.

Cash flows from operating activities in the reporting period derived from cash inflow of approximately NIS 83.2 million in respect of adjustments to profit and loss items, net income of approximately NIS 1.3 million, cash inflow from the decrease in working capital items, net of approximately NIS 17.5 million less payments for interest and taxes of approximately NIS 21.5 million.

Cash flows from operating activities in the corresponding period of last year derived from cash inflow of approximately NIS 40.9 million in respect of adjustments to profit and loss items, net income of approximately NIS 15.0 million, less cash outflow from the increase in working capital items, net of approximately NIS 41.3 million against payments for interest and taxes of approximately NIS 10.4 million.

5.6 Cash flows from financing activities

Net cash provided by financing activities in the reporting period totaled approximately NIS 556.4 million, compared to net cash provided by financing activities totaling approximately NIS 44.8 million in the corresponding period of last year.

Net cash provided by financing activities in the reporting period included issuance of the Company's shares, receipt and repayment of loans from banks, others and related parties, repayment of lease liability and issuance of shares to minority in subsidiary.

B. DETAILS OF EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

The Company's market risk management officer

The person in charge of managing market risks at the Company is Mr. Avior Teboul, the Company's CFO. See more information about Mr. Avior Teboul in Chapter 7 to the prospectus published on May 13, 2021.

Description of market risks

The Company's activities involve external risk factors that are liable to have a material effect on its business operations and which cannot be quantified.

The Company is exposed to a variety of market risks in the ordinary course of its business, mainly to fluctuations in interest rates and in the Israeli Consumer Price Index.

Many market risks such as changes in minimum wages, in the standard of living, in the security situation and in fashion trends are not under the Company's control and cannot be hedged.

The credit extended to the Company's customers in Israel is in NIS and does not bear interest.

Report of linkage bases (consolidated) as of June 30, 2021 (NIS in thousands)

	In NIS		In foreign currency				Non-monetary items	Total
	Unlinked	Linked to the CPI	In or linked to	In or linked to	In or linked to	Other		
			US\$	Euro	C\$			
NIS in thousands								
Assets:								
Cash and cash equivalents	581,303	-	48,670	59,790	10,308	2,712	-	702,783
Trade receivables	54,324	-	-	553	952	2,155	-	57,984
Other accounts receivable	34,449	-	-	3,967	2,418	4,617	14,756	60,207
Inventories	-	-	-	-	-	-	184,801	184,801
Restricted cash	-	-	-	8,645	-	6,580	-	15,225
Long-term receivables	-	-	-	1,332	-	468	-	1,800
Related parties	474	-	-	52	-	-	-	526
Investments in subsidiaries	-	-	-	-	-	-	16,996	16,996
Property, plant and equipment, net	-	-	-	-	-	-	150,451	150,451
Right-of-use assets	-	-	-	-	-	-	728,491	728,491
Deferred taxes	-	-	-	-	-	-	10,689	10,689
Store removal fees	-	-	-	-	-	-	5,075	5,075
Intangible assets, net	-	-	-	-	-	-	1,304	1,304
Goodwill	-	-	-	-	-	-	3,607	3,607
Total assets	670,550	-	48,670	74,339	13,678	16,532	1,116,172	1,939,939
Liabilities:								
Credit from banks	12,633	-	-	-	10,517	-	-	23,150
Trade payables	151,516	-	269	20,637	17,694	11,654	-	201,770
Other accounts payable	40,836	-	-	9,784	1,293	1,656	24,304	77,873
Related parties	591	-	-	-	391	-	-	982
Loans from banks	24,450	-	-	-	-	-	-	24,450
Lease liability	-	484,279	-	175,097	61,382	43,503	-	764,261
Employee benefit liabilities, net	-	-	-	-	-	-	1,356	1,356
Total liabilities	230,026	484,279	269	205,518	91,277	56,813	25,660	1,093,842
Net balance sheet balance	440,524	(484,279)	48,401	(131,179)	(77,599)	(40,282)	1,090,511	846,097

C. CORPORATE GOVERNANCE ASPECTS

6. The Company's donation policy

The Company has not set a policy regarding donations. During the reporting period, the Company did not make donations in significant amounts.

7. Details of directors with financial and accounting expertise

Pursuant to the directives of the Israel Securities Authority, the Company's Board decided that the appropriate minimum number of directors with financial and accounting expertise in the Company is two (including the external director). This decision was based on the Company's size, type of operations, complexity and nature of financial and accounting issues relating to the Company's financial statements in view of its areas of activity.

On August 16, 2021, the general meeting approved the beginning of the term of office of Messer. John Maurer, Noa Landau and Keren Kurtz Zilber as directors of the Company and of Mr. Israel Yaakobi as an independent director of the Company and of Messer. Orit Alster and Dalia Tal as external directors of the Company.

As of the date of this report, four directors, Messer. John Maurer, Shachar Rania, Israel Yaakobi and Orit Alster, who have financial and accounting expertise, serve on the Company's Board.

8. Independent directors

As of the date of this report, the Company has not adopted the provision regarding the percentage of independent directors (as defined in the Companies Law) in its articles of association.

As of the date of this report, one independent director and two external directors serve on the Company's Board.

9. List of senior officers

For information about the list of directors and senior officers at Retailors, see immediate report dated August 17, 2021 (TASE reference: 2021-01-132987).

10. Disclosure of the Company's internal auditor

Details of the internal auditor

- Auditor's name: CPA Uziel Shmueli.
- Date of beginning service: August 23, 2021.
- The internal auditor complies with the entire conditions stipulated in Article 3(a) to the Internal Audit Law, 1992 ("the Internal Audit Law"), the conditions stipulated in Article 146(b) to the Companies Law and the provisions of Article 8 to the Internal Audit Law.
- To the best of the Company's knowledge, the internal auditor does not hold any securities of the Company or of a party related thereto.
- The internal auditor also serves as internal auditor in Fox, the controlling shareholder in the Company. The internal auditor's service as internal auditor in Fox does not create a conflict of interests with his service as internal auditor in the Company. Moreover, to the best of the Company's knowledge, the internal auditor has no business ties with the Company or a party related thereto.

- The internal auditor is not employed by the Company. The internal audit services are provided by the internal auditor as a personal appointment through his firm, Shmueli & Shmueli & Co., which offers various services as well as internal audit services.

Appointment of the internal auditor

Mr. Uziel Shmueli's appointment as internal auditor in the Company was approved by the Company's Board on August 23, 2021 in keeping with the recommendation of the Audit Committee and following a thorough analysis of the internal auditor's education and vast experience as internal auditor, his profound understanding of the Company's business operations as the internal auditor of Fox and following a meeting held with the Company's management and Audit Committee. Mr. Shmueli was found to have the necessary skills and experience for serving as the Company's internal auditor, after having declared his compliance with all the competence requirements applicable to the position of internal auditor as required by law given the size and complexity of the Company.

Identity of the internal auditor

The corporate officer in charge of supervising the internal auditor is the Chairman of the Company's Board.

D. DISCLOSURE REGARDING THE CORPORATION'S FINANCIAL REPORTING

Disclosure of critical accounting estimates

There was no change in the reporting period compared to the periodic report for 2020.

Dov Schneidman
Chief Executive Officer

Harel Wizel
Chairman of the Board

Date: August 23, 2021