

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

**INDEX**

	<u>Page</u>
<b>Special Report pursuant to Regulation 38D</b>	<b>68 - 69</b>
<b>Financial Data from the Consolidated Statements of Financial Position Attributable to the Company</b>	<b>70 - 71</b>
<b>Financial Data from the Consolidated Statements of Profit or Loss Attributable to the Company</b>	<b>72</b>
<b>Financial Data from the Consolidated Statements of Comprehensive Income Attributable to the Company</b>	<b>73</b>
<b>Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company</b>	<b>74 - 75</b>
<b>Additional Information</b>	<b>76 - 77</b>

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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 September 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.



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working world

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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 September 30, 2021 and for the periods of nine 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 33,138 thousand as of September 30, 2021 and the Company's share of its earnings amounted to approximately NIS 16,425 thousand and NIS 15,016 thousand for the periods of nine 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  
November 21, 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>September 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>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	370,693	80,560	53,993
Short-term investments	234,018	-	-
Trade receivables	60,594	32,973	58,021
Other accounts receivable	43,457	18,395	14,376
Related companies	2,894	19,107	21,090
Inventories	148,660	113,886	131,557
	<u>860,316</u>	<u>264,921</u>	<u>279,037</u>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	96,604	74,093	84,832
Investments and loans to investees	109,595	35,275	61,695
Right-of-use assets	460,147	334,032	391,074
Deferred taxes	7,048	6,537	6,660
Intangible assets	1,177	1,683	1,556
Store removal fees	5,156	5,054	5,528
Goodwill	3,607	3,607	3,607
	<u>683,334</u>	<u>460,281</u>	<u>554,952</u>
	<u><u>1,543,650</u></u>	<u><u>725,202</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>September 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>		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks	-	55,645	50,485
Related companies	3,278	4,142	42,369
Trade payables	137,900	115,881	110,559
Other accounts payable	66,526	36,671	129,506
Short-term lease liability	77,994	48,200	59,610
	<u>285,698</u>	<u>260,539</u>	<u>392,529</u>
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	-	39,408	35,530
Long-term lease liability	410,315	309,942	357,633
Employee benefit liabilities	1,403	1,148	1,217
	<u>411,718</u>	<u>350,498</u>	<u>394,380</u>
<b>EQUITY:</b>			
Share capital and share premium	825,336	54,000	54,000
Foreign currency translation reserve	(2,950)	884	(228)
Reserve from remeasurement of defined benefit plans	73	179	73
Reserve from share-based payment transactions	375	-	-
Retained earnings (deficit)	23,400	59,102	(6,765)
Total equity	<u>846,234</u>	<u>114,165</u>	<u>47,080</u>
Total liabilities and equity	<u>1,543,650</u>	<u>725,202</u>	<u>833,989</u>

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

<u>November 21, 2021</u>	<u>Harel Wizel</u>	<u>Dov Schneidman</u>	<u>Avior Teboul</u>
Date of approval of the Financial statements	Chairman of the Board	CEO	CFO

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

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in thousands				
Revenues from sales	571,796	377,463	218,271	156,941	507,959
Cost of sales	296,184	195,349	112,047	80,943	263,656
Gross profit	275,612	182,114	106,224	75,998	244,303
Selling and marketing expenses	218,677	132,935	86,684	57,091	176,628
General and administrative expenses	*) 5,978	1,908	2,044	675	3,326
Group's share of earnings of companies accounted for at equity, net	(19,256)	(5,612)	(19,323)	(9,218)	(5,627)
Operating income	70,213	52,883	36,819	27,450	69,976
Finance expenses on revaluation of Leumi Partners option	18,308	-	-	-	76,615
Finance expenses	14,143	8,142	5,556	3,535	9,815
Finance income	(1,270)	(1,326)	(1,201)	(750)	(615)
Income (loss) before taxes on income	39,032	46,067	32,464	24,665	(15,839)
Taxes on income	8,867	9,167	3,064	3,550	13,128
Net income (loss) attributable to the Company	30,165	36,900	29,400	21,115	(28,967)

\*) Including issue expenses of approximately NIS 2.9 million for the first half of 2021.

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**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	NIS in thousands				
Net income (loss) attributable to the Company	30,165	36,900	29,400	21,115	(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	(2,722)	1,068	(2,664)	766	(44)
Total other comprehensive income (loss) attributable to the Company	(2,722)	1,068	(2,664)	766	(150)
Total comprehensive income (loss) attributable to the Company	27,443	37,968	26,736	21,881	(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**

	Nine months ended September 30,		Three months ended September 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)	30,165	36,900	29,400	21,115	(28,967)
Adjustments to reconcile net income (loss) to net cash provided by operating activities (a)	47,825	37,092	(10,842)	38,971	90,894
Net cash provided by operating activities	77,990	73,992	18,558	60,086	61,927
<u>Cash flows from investing activities:</u>					
Purchase of property, plant and equipment and store removal fees), net	(15,134)	(25,199)	(11,214)	(10,120)	(37,731)
Purchase of securities at fair value through profit or loss	(233,972)	-	(233,972)	-	-
Sale of securities at fair value through profit or loss	568	-	568	-	-
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.	(15,643)	(14,090)	(7,739)	(2,830)	(13,804)
Net cash used in investing activities	(269,280)	(58,459)	(252,357)	(12,950)	(94,441)
<u>Cash flows from financing activities:</u>					
Receipt (repayment) of short-term credit from banks	(35,000)	40,000	-	5,000	35,000
Receipt of long-term loans from banks and others	2,953	31,243	-	-	31,243
Receipt (repayment) of short-term loans from controlling shareholders	(40,000)	-	-	-	40,000
Issue of share capital, net	669,633	54,000	-	-	54,000
Dividend paid	-	(50,000)	-	-	(50,000)
Repayment of lease liabilities	(38,387)	(25,821)	(15,947)	(11,022)	(35,108)
Repayment of long-term loans from banks and others	(51,209)	(11,930)	(37,131)	(4,443)	(16,163)
Net cash provided by (used in) financing activities	507,990	37,492	(53,078)	(10,465)	58,972
Increase (decrease) in cash and cash equivalents	316,700	53,025	(286,877)	36,671	26,458
Cash and cash equivalents at the beginning of the period	53,993	27,535	657,570	43,889	27,535
Cash and cash equivalents at the end of the period	370,693	80,560	370,693	80,560	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**

	Nine months ended September 30,		Three months ended September 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	53,297	4,590	20,577	13,956	49,105
Amortization of intangible assets	380	380	127	127	506
Change in employee benefit liabilities	186	270	47	90	201
Taxes on income	8,867	9,167	3,064	3,550	13,128
Revaluation of securities	(614)	-	(614)	-	-
Group's share of earnings of companies accounted for at equity, net	(19,256)	(5,612)	(19,323)	(9,218)	(5,627)
Finance expenses on option revaluation	18,308	-	-	-	76,615
Cost of share-based payment	375	-	225	-	-
Finance expenses	8,365	7,751	2,998	3,712	9,201
	<u>69,908</u>	<u>46,546</u>	<u>7,101</u>	<u>12,217</u>	<u>143,129</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(2,573)	15,888	(6,270)	11,861	(9,160)
Decrease (increase) in other accounts receivable	(8,143)	(3,552)	7,989	500	(669)
Decrease (increase) in inventories	(17,103)	(20,472)	4,169	(16,816)	(38,142)
Increase (decrease) in trade payables	15,225	7,539	(22,828)	39,185	2,217
Increase in other accounts payable	15,507	7,003	7,293	1,472	12,682
	<u>2,913</u>	<u>6,406</u>	<u>(9,647)</u>	<u>36,202</u>	<u>(33,072)</u>
Cash paid and received during the period for:					
Taxes paid	(16,312)	(8,187)	(5,018)	(6,047)	(9,135)
Interest received	77	-	77	-	-
Interest paid	(8,761)	(7,673)	(3,355)	(3,401)	(10,028)
	<u>(24,996)</u>	<u>(15,860)</u>	<u>(8,296)</u>	<u>(9,448)</u>	<u>(19,163)</u>
	<u>47,825</u>	<u>37,092</u>	<u>(10,842)</u>	<u>38,971</u>	<u>90,894</u>
(b) <u>Significant non-cash transactions:</u>					
Movement in purchase of assets on credit	<u>8,852</u>	<u>(10,145)</u>	<u>3,102</u>	<u>(2,527)</u>	<u>(8,505)</u>
Grant of rent concessions (see Note 1)	<u>6,674</u>	<u>9,239</u>	<u>(42)</u>	<u>1,128</u>	<u>15,121</u>
Movement in lease liability, net	<u>116,127</u>	<u>48,911</u>	<u>19,935</u>	<u>48,079</u>	<u>123,180</u>
Exercise of liability option to issue the Company's shares	<u>94,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Additional Information**

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**1. GENERAL**

This separate financial information has been prepared in a condensed format as of September 30, 2021 and for the periods of nine 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 period of nine months ended September 30, 2021 amounting to approximately NIS 7,940 thousand, the Company recognized in the period of nine months ended September 30, 2021 a decrease in depreciation expenses of approximately NIS 6,674 thousand, and a decrease in finance expenses of approximately NIS 1,266 thousand. Also, as a result of a rent concession received for the period of nine months ended September 30, 2021 amounting to NIS 11,400 thousand, the Company recognized a decrease in depreciation expenses of approximately NIS 9,239 thousand, and a decrease in finance expenses of approximately NIS 2,161 thousand.

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

The 2020 Amendment originally only applied to reduction in lease payments that affects payments originally due up to June 30, 2021. However, the pandemic has 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**

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**3. EVENTS DURING THE REPORTING PERIOD**

- a. In February 2021, a subsidiary, Retailors-FL NK Ventures B.V., issued shares in a total of € 2.5 million to the Company and to Foot Locker pro rata to their interests (51% to the Company and 49% to Foot Locker).
- b. 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%.
- c. In July 2021, a subsidiary, Retailors Europe B.V., issued capital notes in the total of € 2 million to the Company.

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