

RETAILORS LTD.

FINANCIAL DATA FROM THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF MARCH 31, 2021

UNAUDITED

INDEX

	<u>Page</u>
Special Report pursuant to Regulation 38D	2 – 3
Financial Data from the Consolidated Statements of Financial Position Attributable to the Company	4 – 5
Financial Data from the Consolidated Statements of Profit or Loss Attributable to the Company	6
Financial Data from the Consolidated Statements of Comprehensive Income Attributable to the Company	7
Financial Data from the Consolidated Statements of Cash Flows Attributable to the Company	8 – 9
Additional Information	10

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 consolidated financial statements as of March 31, 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 March 31, 2021 and for the three months period 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 financial statements of investees, whose assets less attributable liabilities, net, total approximately NIS 19,568 thousand as of March 31, 2021 and the Company's share of the earnings of those investees total approximately NIS 1,639 for the three months period then ended. The financial statements of those investees were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial statements in respect of those investees, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (Israel) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accounts in Israel. A review of 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
May 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>March 31,</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	44,139	40,643	53,993
Trade receivables	76,280	22,759	58,021
Other accounts receivable	36,935	17,003	14,376
Related companies	21,148	15,240	21,090
Inventories	133,550	104,905	131,557
	<u>312,052</u>	<u>200,550</u>	<u>279,037</u>
NON-CURRENT ASSETS:			
Property, plant and equipment	81,814	64,264	84,832
Investments in investees	63,277	27,358	61,695
Right-of-use assets	426,922	310,325	391,074
Deferred taxes	6,930	5,919	6,660
Other intangible assets	1,430	1,935	1,556
Store removal fees	5,301	5,471	5,528
Goodwill	3,607	3,607	3,607
	<u>589,281</u>	<u>418,879</u>	<u>554,952</u>
	<u><u>901,333</u></u>	<u><u>619,429</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**

	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	100,584	41,726	50,485
Related companies	776	828	42,369
Trade payables	109,796	90,103	110,559
Other accounts payable	167,288	24,901	129,506
Short-term lease liability	62,454	46,007	59,610
	<u>440,898</u>	<u>203,565</u>	<u>392,529</u>
NON-CURRENT LIABILITIES:			
Loans from banks	31,656	47,151	35,530
Long-term lease liability	391,416	287,692	357,633
Employee benefit liabilities	1,217	955	1,217
	<u>424,289</u>	<u>335,798</u>	<u>394,380</u>
EQUITY:			
Share capital and share premium	54,000	54,000	54,000
Foreign currency translation reserve	20	29	(228)
Reserve from remeasurement of defined benefit plans	73	179	73
Retained earnings	(17,947)	25,858	(6,765)
	<u>36,146</u>	<u>80,066</u>	<u>47,080</u>
Total equity	<u>36,146</u>	<u>80,066</u>	<u>47,080</u>
Total liabilities and equity	<u>901,333</u>	<u>619,429</u>	<u>833,989</u>

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

May 23, 2021			
Date of approval of the financial statements	Harel Wizel Chairman of the Board	Dov Schneidman Chief Executive Officer	Avior Teboul Deputy CEO, Finance

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

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in thousands		
Revenues from sales	149,404	109,928	507,959
Cost of sales	79,431	58,282	263,656
Gross profit	69,973	51,646	244,303
Selling and marketing expenses	56,469	41,730	176,628
General and administrative expenses	1,652	822	3,326
Group's share of losses (earnings) of companies accounted for at equity, net	(18)	1,439	(5,627)
Operating income	11,870	7,655	69,976
Finance expenses, net	20,905	2,484	85,815
Income (loss) before taxes on income	(9,035)	5,171	(15,839)
Taxes on income	2,147	1,515	13,128
Net income (loss) attributable to the Company	(11,182)	3,656	(28,967)

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**

	Three months ended		Year ended
	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in thousands		
Net income (loss) attributable to the Company	(11,182)	3,656	(28,967)
Other comprehensive income (loss) net of tax effect:			
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial loss on defined benefit plans, net	-	-	(106)
Items to be reclassified to profit or loss when specific conditions are met:			
Group's share of net other comprehensive loss (loss) of companies accounted for at equity	248	213	(44)
Total other comprehensive income (loss) attributable to the Company	248	213	(150)
Total comprehensive income (loss) attributable to the Company	<u>(10,934)</u>	<u>3,869</u>	<u>(29,117)</u>

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**

	Three months ended		Year ended
	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from operating activities:</u>			
Net income (loss)	(11,182)	3,656	(28,967)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities (a)	16,093	(4,056)	90,894
Net cash provided by (used in) operating activities	4,911	(400)	61,927
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment and store removal fees	(7,985)	(3,638)	(37,731)
Establishment of Retailors-FL NK Ventures BV	-	(19,170)	(23,252)
Establishment of an associate, Retailors-FL Ventures BV	-	-	(19,654)
Investment in Retailors-FL NK Ventures BV	(5,099)	-	-
Loan to investee, Retailors Europe BV	-	(10,530)	(13,804)
Net cash used in investing activities	(13,084)	(33,338)	(94,441)
<u>Cash flows from financing activities:</u>			
Short-term credit from banks	50,089	25,000	35,000
Receipt of long-term loans from banks and others	303	31,243	31,243
Receipt (repayment) of short-term loans from controlling shareholders	(40,000)	-	40,000
Issue of shares	-	54,000	54,000
Dividend paid	-	(50,000)	(50,000)
Repayment of lease liability	(8,180)	(10,096)	(35,108)
Repayment of long-term loans from banks and others	(3,893)	(3,300)	(16,163)
Net cash provided by (used in) financing activities	(1,681)	46,847	58,972
Increase (decrease) in cash and cash equivalents	(9,854)	13,109	26,458
Cash and cash equivalents at beginning of period	53,993	27,534	27,535
Cash and cash equivalents at end of period	44,139	40,643	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**

	Three months ended		Year ended
	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in thousands		
(a) <u>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</u>			
Income and expenses not involving cash flows:			
Depreciation of property, plant and equipment, store removal fees and right-of-use assets	12,665	12,864	49,105
Amortization of other intangible assets	127	127	506
Change in employee benefit liabilities	-	77	201
Taxes on income	2,147	1,515	13,128
Group's share of losses (earnings) of companies accounted for at equity, net	(18)	1,439	(5,627)
Finance expenses on revaluation of option	18,308	-	76,615
Finance expenses	2,167	2,801	9,201
	<u>35,396</u>	<u>18,823</u>	<u>143,129</u>
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(18,259)	26,101	(9,160)
Increase in other accounts receivable	(502)	(6,311)	(669)
Increase in inventories	(1,993)	(11,491)	(38,142)
Increase (decrease) in trade payables and checks payable	(11,417)	(20,656)	2,217
Increase (decrease) in other accounts payable	17,781	(5,620)	12,682
	<u>(14,390)</u>	<u>(17,977)</u>	<u>(33,072)</u>
Cash paid and received during the period for:			
Taxes paid	(2,752)	(2,140)	(9,135)
Interest paid	(2,161)	(2,762)	(10,028)
	<u>(4,913)</u>	<u>(4,902)</u>	<u>(19,163)</u>
	<u>16,093</u>	<u>(4,056)</u>	<u>90,894</u>
(b) <u>Significant non-cash transactions:</u>			
Movement in purchase of property on credit	<u>(7,682)</u>	<u>(3,260)</u>	<u>(8,505)</u>
Rent concession (see Note 1)	<u>5,384</u>	<u>1,315</u>	<u>15,121</u>
Right-of-use asset recognized with corresponding lease liability, net	<u>50,192</u>	<u>495</u>	<u>123,180</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 March 31, 2021 and for the three months period then ended in accordance with 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 first quarter of the year amounting to NIS 6,460 thousand, the Company recognized a decrease in depreciation expenses and in finance expenses of NIS 5,384 thousand and NIS 1,076 thousand, respectively, in the three months ended March 31, 2021. As a result of a rent concession received for March 2020 amounting to NIS 1,627 thousand, the Company recognized a decrease in depreciation expenses and in finance expenses of NIS 1,315 thousand and NIS 312 thousand, respectively, in the three months ended March 31, 2020.

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 - Practical expedient in accounting for any change in lease payments resulting from the Covid-19 crisis:

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 for 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.

3:- Events After the Reporting Date

In April 2021, the Company gave a loan of € 1 million to Retailors Europe BV. The loan bears interest at the rate of 2.5%.
