

SUMMARY SEMI-ANNUAL REPORT

Retail Holdings N.V.

**For the Semi-Annual Period Ended
June 30, 2016**

ABOUT RETAIL HOLDINGS

Retail Holdings N.V. (“Retail Holdings”, together with its subsidiaries and affiliates, the “Company” or “Group”) is a holding company with one principal asset: a 54.10 % equity interest in Sewko Holdings Limited (“Sewko”), the parent company of Singer Asia Limited, (“Singer Asia”). Singer Asia is the holding company of the Group’s operating companies.

Retail Holdings is a Curacao public company, which is the successor company to the Singer Company N.V. and its predecessor companies. Price quotations for the Retail Holdings’ Shares are available on the “Pink Sheets” quotation service under the symbol “RHDGF”. The Shares’ CUSIP number is N74108106.

Singer Asia is a distributor of consumer durable products in Bangladesh, India, and Sri Lanka, with consumer credit and other financial services available to qualified customers. The Group has no operating activities other than those carried out through Singer Asia.

Additional financial and other information about the Company, including: a copy of the Company’s audited consolidated financial statements for the twelve months ended December 31, 2015, and all prior financial statements since September 2000, together with the Auditor’s Reports thereon; the 2015 Annual Report dated March 2016, and all prior Disclosure Statements and Reports since September 2000; and copies of all semi-annual and quarterly reports and press releases since September 2000; may be found at the Corporate/Investor section of the Company’s website at www.retailholdings.com. Investor relations requests may be addressed to Ms. Amy Pappas, Company Secretary, at the NV Adminservice Corporation office (indicated below); email apappas@retailholdings.com.

The Company prepares its consolidated financial statements in U.S. dollars, in accordance with International Financial Reporting Standards (“IFRS”).

All information in this Summary Semi-Annual Report is presented as of June 30, 2016, unless otherwise indicated.

Retail Holdings registered office is located at Kaya W.F.G. (Jombi) Mensing 36, Willemstad, Curaçao, and its telephone number is 599-9732-2555. Certain administrative matters are handled in the United States by Retail Holdings’ subsidiary, NV Adminservice Corporation, located at 118 North Bedford Road, Mt. Kisco, New York, 10549, telephone number 914-241-3404. Retail Holdings’ share transfer agent is Computershare Shareowner Services LLC at P.O. Box 30170, College Station, Texas, 77842-3170, telephone number 800-851-9677 (or from outside the United States, 1-201-680-6578). The Company’s website is www.retailholdings.com.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain statements made herein with respect to the Company's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Company. Forward-looking statements include, but are not limited to, those using words such as believe, expect, anticipate, plans, strategy, prospects, forecast, estimate, project, may or might, and words of similar meaning in connection with a discussion of future operations, financial performance, financial position, capital resources, and strategy and plans and objectives of management. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs, which are expressed in light of the information available to management at the time; the ultimate outcome in many cases is outside of management's control and may be substantially different than anticipated. The Company cautions that no assurance can be given that expectations reflected in such forward-looking statements will prove to be correct, that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and, therefore, that you should not place undue reliance on such forward-looking statements. You should not assume that the information contained in this Summary Semi-Annual Report is accurate as of any date other than the date for which the information is presented. You should not rely on any obligation by the Company to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The Company disclaims any such obligation. Risks and uncertainties that might affect the Company include, but are not limited to: general economic conditions, particularly in Asia, including levels of consumer spending; exchange rates, particularly between the U.S. dollar and the currencies in which Singer Asia makes significant sales or in which its assets and liabilities are denominated; Singer Asia's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets; recovery of amounts due from debtors; political developments and possible natural catastrophes in the Company's countries of operation; continuing relationships with financial institutions, suppliers and other creditors; and the outcome of contingencies.

Important information regarding risks and uncertainties is set forth in the Company's 2015 Summary Annual Report.

The information included in this Summary Semi-Annual Report does not purport to be inclusive of all of the information that might be included in a Form 10Q quarterly report. It only contains summary information that, in the opinion of management, is most relevant for understanding the Company's financial results during the first six months of 2016.

As described in greater detail in the Company's 2015 Summary Annual Report, it is the Company's intention not to provide regular quarterly reports including the information that might be included in a Form 10-Q quarterly report. The Company expects to issue only a Summary Annual Report, including audited consolidated financial statements and notes, with limited commentary, and a Summary Semi-Annual Report, including unaudited six-month financial statements, with limited notes and commentary, all prepared in accordance with IFRS.

RETAIL HOLDINGS N.V.

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PART I

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016 (Unaudited) AND DECEMBER 31, 2015

In thousands of US Dollars

| | <u>Notes</u> | <u>June 30, 2016</u> | <u>December 31, 2015</u> |
|---|--------------|----------------------|--------------------------|
| ASSETS: | | | |
| Property, plant and equipment | | 44,629 | 44,392 |
| Intangible assets and goodwill | | 7,317 | 7,313 |
| Trade and other receivables due in excess of one year | 9 | 49,680 | 46,442 |
| Equity accounted investee | | 2,166 | 2,200 |
| Deferred tax assets | | 2,014 | 2,116 |
| Other non-current assets | | 12,598 | 9,772 |
| Total non-current assets | | 118,404 | 112,235 |
| Inventories | | 89,480 | 74,332 |
| Trade and other receivables | | 131,789 | 109,462 |
| Cash and cash equivalents | | 24,268 | 61,598 |
| Other current assets | | 17,100 | 11,388 |
| Assets held for sale | | - | 22,379 |
| Total current assets | | 262,637 | 279,159 |
| Total assets | | 381,041 | 391,394 |
| EQUITY | | | |
| Share capital | 10 | 53 | 53 |
| Share premium | | 34,895 | 37,655 |
| Reserves | | (8,865) | (7,229) |
| Retained earnings | | 21,798 | 44,165 |
| Equity attributable to owners of Retail Holdings | | 47,881 | 74,644 |
| Non-controlling interest | | 69,612 | 89,605 |
| Total equity | | 117,493 | 164,249 |
| LIABILITIES | | | |
| Loans and borrowings over one year | 11 | 80,456 | 61,820 |
| Employee benefits | | 6,286 | 6,366 |
| Deferred income over one year | | 639 | 571 |
| Warranty provision over one year | | 263 | 254 |
| Deferred tax liabilities | | 947 | 781 |
| Other non-current liabilities | | 8,536 | 7,611 |
| Total non-current liabilities | | 97,127 | 77,403 |
| Bank overdrafts | | 14,279 | 6,279 |
| Current tax liabilities | | 4,745 | 3,935 |
| Loans and borrowings | 11 | 77,548 | 59,942 |
| Trade and other payables | | 65,459 | 55,537 |
| Deferred income | | 2,755 | 2,474 |
| Warranty provision | | 1,635 | 1,521 |
| Liabilities held for sale | | - | 20,054 |
| Total current liabilities | | 166,421 | 149,742 |
| Total liabilities | | 263,548 | 227,145 |
| Total equity and liabilities | | 381,041 | 391,394 |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (Unaudited)

In thousands of US Dollars except per Share data

| | Notes | June 30, 2016 | June 30, 2015 (restated) |
|---|-------|----------------|-----------------------------|
| Continuing operations | | | |
| Revenue | | 231,482 | 196,510 |
| Cost of sales | | 159,880 | 135,598 |
| Gross profit | | 71,602 | 60,912 |
| Other income | | 884 | 984 |
| Selling and administrative expenses | | (48,924) | (43,309) |
| Other expenses | | (2,319) | (2,062) |
| Results from operating activities | | 21,243 | 16,525 |
| Impairment loss | 9 | - | (10,890) |
| Finance income | | 398 | 394 |
| Finance costs | | (7,857) | (6,842) |
| Net finance costs | | (7,459) | (6,448) |
| Share of loss of equity-accounted investee, net of tax | | (164) | - |
| Profit / (loss) before income taxes | | 13,620 | (813) |
| Income tax expense | 8 | (5,204) | (4,293) |
| Profit / (loss) from continuing operations | | 8,416 | (5,106) |
| Discontinued operations | | | |
| (Loss) / profit from discontinued operation, net of tax | 2 | (1,243) | 29,313 |
| Profit for the period | | 7,173 | 24,207 |
| Attributable to: | | | |
| Owners of Retail Holdings | | 1,850 | 5,973 |
| Non-controlling interests | | 5,323 | 18,234 |
| Profit for the period | | 7,173 | 24,207 |
| Earnings per share (US Dollars) | | 0.35 | 1.13 |
| (Loss) / earnings per share – continuing operations (US Dollars) | | 0.48 | (1.67) |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (Unaudited)***In thousands of US Dollars*

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|
| Profit for the period | 7,173 | 24,207 |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Foreign currency translation differences for foreign operations | (2,767) | (2,893) |
| Other comprehensive income for the period, net of income tax | (2,767) | (2,893) |
| Total comprehensive income for the period | 4,406 | 21,314 |
| Total comprehensive income attributable to: | | |
| Owners of Retail Holdings | (1,059) | 4,840 |
| Non-controlling interests | 5,465 | 16,474 |
| | 4,406 | 21,314 |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED June 30, 2016 (Unaudited)

In thousands of US Dollars

| | Attributable to equity holders of the Company | | | | | Total | Non-controlling interest | Total equity |
|--|---|---------------|---------------------|---------------------|-------------------|----------|--------------------------|--------------|
| | Share capital | Share premium | Translation reserve | Revaluation reserve | Retained earnings | | | |
| Balance at January 1, 2016 | 53 | 37,655 | (20,010) | 12,781 | 44,165 | 74,644 | 89,605 | 164,249 |
| Total comprehensive income for the period | | | | | | | | |
| Profit | - | - | - | - | 1,850 | 1,850 | 5,323 | 7,173 |
| Other comprehensive income | - | - | (3,004) | (293) | 388 | (2,909) | 142 | (2,767) |
| Total comprehensive income for the period | - | - | (3,004) | (293) | 2,238 | (1,059) | 5,465 | 4,406 |
| Transactions with owners of the Company | | | | | | | | |
| Contributions and distributions | | | | | | | | |
| Buy back of shares of Retail Holdings | - | (2,760) | - | - | - | (2,760) | - | (2,760) |
| Distribution to owners of Retail Holdings | - | - | - | - | (26,457) | (26,457) | - | (26,457) |
| Distribution to non-controlling interests | - | - | - | - | - | - | (30,775) | (30,775) |
| Total contributions and distributions | - | (2,760) | - | - | (26,457) | (29,217) | (30,775) | (59,992) |
| Changes in ownership interests | | | | | | | | |
| Divestment of interests in subsidiaries | - | - | 1,919 | (258) | 1,852 | 3,513 | 5,317 | 8,830 |
| Total change in ownership interests | - | - | 1,919 | (258) | 1,852 | 3,513 | 5,317 | 8,830 |
| Total transactions with owners of the Company | - | (2,760) | 1,919 | (258) | (24,605) | (25,704) | (25,458) | (51,162) |
| Balance at June 30, 2016 | 53 | 34,895 | (21,095) | 12,230 | 21,798 | 47,881 | 69,612 | 117,493 |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED June 30, 2015 (Unaudited)**

In thousands of US Dollars

| | Attributable to equity holders of the Company | | | | | | Non- controlling interest | Total equity | |
|---|---|------------------|------------------------|------------------------|----------------------------|----------------------|---------------------------------|-----------------|----------|
| | Share capital | Share premium | Translation reserve | Revaluation reserve | Investment fund reserve | Retained earnings | | | Total |
| Balance at January 1, 2015 | 53 | 41,961 | (18,213) | 14,148 | 244 | 50,687 | 88,880 | 109,823 | 198,703 |
| Total comprehensive income for the period | | | | | | | | | |
| Profit | - | - | - | - | - | 5,973 | 5,973 | 18,234 | 24,207 |
| Other comprehensive income | - | - | (1,139) | (107) | (354) | 467 | (1,133) | (1,760) | (2,893) |
| Total comprehensive income for the period | - | - | (1,139) | (107) | (354) | 6,440 | 4,840 | 16,474 | 21,314 |
| Transactions with owners of the Company | | | | | | | | | |
| Contributions and distributions | | | | | | | | | |
| Distribution to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | (3,809) | (3,809) |
| Unclaimed distributions | - | 855 | - | - | - | - | 855 | - | 855 |
| Total contributions and distributions | - | 855 | - | - | - | - | 855 | (3,809) | (2,954) |
| Changes in ownership interests | | | | | | | | | |
| Divestment of interests in subsidiaries | - | - | - | (1,392) | - | - | (1,392) | (32,110) | (33,502) |
| Total change in ownership interests | - | - | - | (1,392) | - | - | (1,392) | (32,110) | (33,502) |
| Total transactions with owners of the Company | - | 855 | - | (1,392) | - | - | (537) | (35,919) | (36,456) |
| Balance at June 30, 2015 | 53 | 42,816 | (19,352) | 12,649 | (110) | 57,127 | 93,183 | 90,378 | 183,561 |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (Unaudited)

In thousands of US Dollars

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Profit for the period | 7,173 | 24,207 |
| Adjustments for: | | |
| Depreciation | 1,963 | 2,390 |
| Amortization of intangible assets | 101 | 64 |
| Impairment loss of property, plant and equipment | 15 | - |
| Impairment loss | - | 10,890 |
| Gain from sale of property, plant and equipment | (25) | (10) |
| Gain from sale of investment | (2,688) | (26,611) |
| Net finance costs | 7,459 | 7,957 |
| Share of profit of equity-accounted investees, net of tax | 164 | - |
| Income tax expense | 5,204 | 4,001 |
| | 19,366 | 22,888 |
| Changes in: | | |
| - Inventories | (16,804) | 3,287 |
| - Trade receivables | (5,790) | 51,241 |
| - Other current assets | (5,916) | 1,237 |
| - Trade and other payables | 10,001 | (44,792) |
| - Provision and employee benefits | 50 | (8,497) |
| - Deferred income | (349) | (106) |
| | 558 | 25,258 |
| Cash from operating activities | 558 | 25,258 |
| Interest paid | (7,736) | (7,555) |
| Income tax paid | (3,290) | (1,758) |
| Net cash (used in) / from operating activities | (10,468) | 15,945 |
| Cash flows from investing activities | | |
| Interest received | 399 | 425 |
| Proceeds from sale of property, plant and equipment | 64 | 157 |
| Proceeds from sale of investment, net of cash | 6,082 | 43,362 |
| Acquisition of property, plant and equipment | (3,131) | (990) |
| Proceeds from sale of intangible assets | 124 | - |
| Net cash generated from investing activities | 3,538 | 42,954 |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 19,776 | 44,288 |
| Repayment of borrowings | (1,444) | (64,600) |
| Distribution to non-controlling interests | (30,775) | (3,809) |
| Distribution to owners of Retail Holdings | (25,965) | - |
| Buy back of Retail Holdings shares | (2,760) | - |
| Unclaimed Retail Holdings dividends | - | 855 |
| Net cash used in financing activities | (41,168) | (23,266) |
| Net (decrease) / increase in cash and cash equivalents | (48,098) | 35,633 |
| Cash and cash equivalents at January 1 | 55,116 | 10,242 |
| Effect of exchange rate fluctuations on cash held | 2,971 | (1,680) |
| Cash and cash equivalents at June 30 | 9,989 | 44,195 |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Retail Holdings N.V. (“Retail Holdings”, together with its subsidiaries and affiliates, the “Company” or “Group”) is a company domiciled in Curaçao (formerly part of the Netherlands Antilles), incorporated in December 1999. The address of the Company’s registered office is Kaya W.F.G. (Jombi) Mensing 36, Willemstad, Curaçao.

2. Discontinued operations

(i) *Singer Thailand Public Company Limited*

On June 5, 2015, the Company sold on the open market all of its equity interest in Singer Thailand Public Company Limited (“STL”), amounting to 40.0% of STL’s issued share capital. The condensed, consolidated, interim financial statements for the six months ended June 30, 2015 include the results of operation of STL until May 31, 2015, the month end closest to the sale date.

The consideration received from the sale was USD 43,362 thousand in cash. The carrying amount of STL’s net assets in the consolidated financial statements on May 31, 2015 was USD 20,129 thousand. Accordingly, the Company recognized a gain of USD 23,233 thousand from the sale. Due to adjustments for foreign currency translation differences for foreign operations, the consolidated statement of income reflects an additional gain of USD 3,378 thousand, resulting in a total gain from sale of investment of USD 26,611 thousand.

Reflecting the sale, STL has been reclassified as a discontinued operation shown separately from continuing operations for the period ended June 30, 2015 and is not included in the Company’s results for the period ended June 30, 2016.

(ii) *Singer Pakistan Limited*

On January 19, 2016, the Company sold on the open market all of its equity interest in Singer Pakistan Limited (“SPL”), amounting to 70.28% of SPL’s issued share capital.

SPL was not previously classified as held-for-sale or as a discontinued operation for the six months ended June 30, 2015. Reflecting the sale, SPL has been reclassified as a discontinued operation shown separately from continuing operations for the period ended June 30, 2015. SPL is not included in the Company’s results for the period ended June 30, 2016.

The consideration received from the sale was USD 2,325 thousand in cash. The carrying amount of SPL’s net assets in the consolidated financial statements on Dec 31, 2015 was USD 4,024 thousand. Accordingly, the Company recognized a loss of USD 1,699 thousand from the sale. Due to adjustments for foreign currency translation differences for foreign operations, the consolidated statement of income reflects an additional loss of USD 2,549 thousand, resulting in a total loss from sale of investment of USD 4,248 thousand.

Reflecting the sale, SPL has been reclassified as a discontinued operation shown separately from continuing operations for the period ended June 30, 2015 and is not included in the Company’s results for the period ended June 30, 2016.

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Discontinued operations (continued)

(iii) *Brand Trading (Cambodia) Limited*

In April 2016, the Company decided to close its operations in Cambodia, a process that was substantially completed by June 30, 2016. Brand Trading (Cambodia) Limited (“BTC”) incurred an operating loss of USD 496 thousand during the period ending June 30, 2016. An operating loss of USD 264 thousand was incurred in the period ending June 30, 2015. An impairment loss of USD 747 thousand was incurred on disposal.

Brand Trading (Cambodia) Limited (“BTC”) was not previously classified as held-for-sale or as a discontinued operation. Reflecting the closure, BTC has been reclassified as a discontinued operation shown separately from continuing operations for the period ended June 30, 2016 and June 30, 2015.

A Results of discontinued operations for period ended

| <i>In thousands of U.S. Dollars</i> | June 30, 2016 | June 30, 2015 | | | Total |
|--|---------------|---------------|----------|----------|----------|
| | Cambodia | Cambodia | Thailand | Pakistan | |
| Revenue | 504 | 357 | 45,421 | 9,356 | 55,134 |
| Expenses | (1,747) | (621) | (41,986) | (10,117) | (52,724) |
| Results from operating activities | (1,243) | (264) | 3,435 | (761) | 2,410 |
| Income tax credit | - | 49 | - | 243 | 292 |
| Gain on disposal on sale of discontinued operation | - | - | 23,233 | - | 23,233 |
| Gain on foreign currency translation differences of discontinued operation | - | - | 3,378 | - | 3,378 |
| Profit / (loss) from discontinued operations, net of tax | (1,243) | (215) | 30,046 | (518) | 29,313 |
| Earnings / (loss) per share (US Dollars) | (0.13) | (0.02) | 2.86 | (0.04) | 2.80 |

B Cash flows from / (used in) discontinued operation for period ended

| <i>In thousands of U.S. Dollars</i> | June 30, 2016 | June 30, 2015 | | | Total |
|--|---------------|---------------|----------|----------|---------|
| | Cambodia | Cambodia | Thailand | Pakistan | |
| Net cash used in operating activities | (411) | (685) | (1,239) | (16) | (1,940) |
| Net cash (used in)/ from investing activities | 522 | (217) | (2,107) | 16 | (2,164) |
| Net cash (used in)/ from financing activities | (313) | 822 | 2,315 | 2 | 3,165 |
| Cash received on disposal of investment in discontinued operations | - | - | 43,362 | - | 43,362 |
| Net cash inflow / (outflow) for the period | (202) | (80) | 42,331 | 172 | 42,423 |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

C Effect of disposal on the financial position of the Group

| <i>In thousands of US Dollars</i> | 2016 Pakistan | 2015 Thailand |
|--|--------------------------------|--------------------------------|
| Property, plant and equipment | (6,133) | (11,702) |
| Inventories | (3,048) | (9,365) |
| Trade and other receivables | (9,372) | (65,009) |
| Cash and cash equivalents | (721) | (6,878) |
| Other assets | (3,150) | (12,822) |
| Trade and other payables | 4,626 | 13,985 |
| Loans and borrowings | 13,929 | 31,019 |
| Other liabilities | 1,499 | 10,450 |
| Minority interest | 1,732 | 30,193 |
| Net value of (assets) / liabilities disposed | <u>593</u> | <u>(20,129)</u> |
| Consideration received / Receivable | 2,325 | 43,362 |
| Cash and cash equivalents disposed of | <u>(721)</u> | <u>(6,878)</u> |
| Net cash inflow | <u>1,604</u> | <u>36,484</u> |

3. Statement of compliance

These condensed, consolidated, interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (the “IASB”). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited, consolidated financial statements of the Company as at and for the year ended December 31, 2015 (the “2015 Statements”). The 2015 Statements may be found at the Corporate/Investor section of the Company’s website at www.retailholdings.com.

These condensed, consolidated, interim financial statements were approved by the Retail Holdings Board of Directors on August 12, 2016.

Results for the six-month period ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

4. Significant accounting policies

The accounting policies applied by the Company in these condensed, consolidated, interim financial statements are consistent with those applied by the Company in the 2015 Statements and as described therein.

5. Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed, consolidated, interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are the same as those in the 2015 Statements and as described therein.

6. Financial risk management

The Company’s financial risk management objectives and policies are consistent with those disclosed in the 2015 Statements and as described therein.

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Operating segments

The Company's operating segment reporting format is geographical because the Company has only one business segment which is the retail business. Its risks and return are affected predominantly by the different geographical areas in which it operates and the Company's management structure and internal reporting system to the CEO is set up accordingly. A geographical segment is a distinguishable component of the Company that is engaged in providing products and services within a particular economic environment, which is subject to risks and returns that are different from those of other segments.

For the six months ended June 30, 2016 and as at June 30, 2016

| <i>In thousands of U.S. Dollars</i> | Bangladesh | Cambodia (discontinued) | India | Sri Lanka | Unallocated Amounts | Inter-segment Elimination | Total |
|--|-------------------|------------------------------------|--------------|------------------|--------------------------------|--------------------------------------|--------------|
| External revenue | 52,439 | 504 | 26,485 | 151,752 | 806 | - | 231,986 |
| Inter-segment revenue | - | - | 386 | - | - | (386) | - |
| Depreciation and amortization | 462 | - | 61 | 1,436 | 4 | - | 1,963 |
| Impairment loss on accounts receivable | 391 | - | 73 | 859 | - | - | 1,323 |
| Impairment loss on inventory | - | - | - | 347 | - | - | 347 |
| Profit / (loss) from operating activities | 5,357 | (1,243) | 867 | 16,773 | (1,754) | - | 20,000 |
| Interest income | 81 | - | 68 | 243 | 6 | - | 398 |
| Interest expense | 541 | - | 5 | 7,274 | - | - | 7,820 |
| Share of loss of equity-accounted investee | 164 | - | - | - | - | - | 164 |
| Income tax charge | 1,373 | - | 343 | 3,301 | 187 | - | 5,204 |
| Profit / (loss) before tax | 4,733 | (1,243) | 937 | 9,767 | 2,836 | (4,653) | 12,377 |
| Capital expenditure | 448 | - | - | 2,617 | 66 | - | 3,131 |
| Total assets | 72,304 | 1 | 19,283 | 270,304 | 75,235 | (56,086) | 381,041 |
| Total liabilities | 51,800 | 1,808 | 11,421 | 216,314 | 4,916 | (22,711) | 263,548 |
| Net assets | 20,504 | (1,807) | 7,862 | 53,990 | 70,319 | (33,375) | 117,493 |

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Operating segments (continued)

For the six months ended June 30, 2015 and as at June 30, 2015

| <i>In thousands of U.S. Dollars</i> | Bangladesh | Cambodia (discontinued) | India | Pakistan (discontinued) | Sri Lanka | Thailand (discontinued) | Unallocated Amounts | Inter- segment Elimination | Total |
|--|-------------------|------------------------------------|--------------|------------------------------------|------------------|------------------------------------|--------------------------------|---|--------------|
| External revenue | 38,598 | 357 | 22,776 | 9,356 | 134,984 | 45,421 | 152 | - | 251,644 |
| Inter-segment revenue | - | - | 501 | - | - | - | - | (501) | - |
| Depreciation and amortization | 488 | 16 | 56 | 293 | 1,288 | 243 | 6 | - | 2,390 |
| Impairment loss on accounts receivable | 328 | - | 35 | 301 | 1,093 | 2,120 | - | - | 3,877 |
| Impairment loss / (credit) on inventory | 66 | - | (1) | (100) | 895 | (144) | - | - | 716 |
| Profit / (loss) from operating activities | 2,080 | (264) | 715 | 85 | 15,140 | 3,653 | 25,647 | - | 47,056 |
| Impairment loss on SVP Notes (see Note 9) | - | - | - | - | - | - | 10,890 | - | 10,890 |
| Interest income | 6 | 1 | 41 | 9 | 314 | 21 | (231) | 252 | 413 |
| Interest expense | 631 | - | 6 | 849 | 6,234 | 685 | - | (252) | 8,153 |
| Income tax charge / (credit) | 497 | (49) | 254 | (243) | 3,205 | - | 337 | - | 4,001 |
| Profit / (loss) before tax | 1,459 | (264) | 753 | (761) | 9,175 | 2,989 | 22,476 | (7,619) | 28,208 |
| Capital expenditure | 166 | 148 | - | 10 | 577 | - | 89 | - | 990 |
| Total assets | 55,436 | 1,475 | 13,463 | 26,412 | 243,399 | - | 139,068 | (63,204) | 416,049 |
| Total liabilities | 36,254 | 1,817 | 6,128 | 19,788 | 181,873 | - | 3,425 | (16,797) | 232,488 |
| Net assets | 19,182 | (342) | 7,335 | 6,624 | 61,526 | - | 135,643 | (46,407) | 183,561 |

There is no material change in the operating segments' total assets as compared to the amounts disclosed in the 2015 Statements.

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. **Income tax expense**

Income tax expense is recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's consolidated effective tax rate in respect of the six months ended June 30, 2016, excluding the share of loss of equity-accounted investee, was 37.8 percent (six months ended June 30, 2015: 42.6 percent).

9. **Trade and other receivables**

The Company's receivables include unsecured, subordinated, promissory notes (the "SVP Notes") received by the Company as part of the consideration for the sale in 2004 of the Singer worldwide sewing business and the ownership of the Singer and related trademarks. The Company elected, in two tranches in 2015, to recognize an impairment charge to reduce the carrying value of the SVP Notes to nil. This reflects the subordinated character of the SVP Notes in the highly leveraged SVP capital structure; SVP's failure, since June 30, 2015, to make the minimum required cash interest payments; and managements' conclusion that it is more likely than not that SVP will not be able to repay the SVP Notes at their current maturity date in September 2018 or to make any cash interest payments for the foreseeable future. The notional value of the SVP Notes at June 30, 2016 is USD 29,104 thousand.

10. **Share capital**

Issuance and repurchase of ordinary shares

During the six months ended June 30, 2016, 200,000 ordinary Retail Holdings shares were repurchased; six month ended June 30, 2015, nil shares were repurchased; no ordinary shares were issued in either period.

As at June 30, 2016, 5,091,443 Retail Holdings shares are issued and outstanding.

RETAIL HOLDINGS N.V. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Loans and borrowings

| | <u>Currency</u> | <u>Interest rate nominal</u> | <u>Face value</u> | <u>Carrying amount</u> | <u>Year of maturity</u> |
|-----------------------------------|-----------------|------------------------------|-------------------|------------------------|-------------------------|
| <i>In thousands of US Dollars</i> | | | | | |
| Balance at January 1, 2016 | | | | 121,762 | |
| New Issues | | | | | |
| Unsecured bank loans | SLR | 9.6-10.3% | 22,697 | 22,697 | - |
| Unsecured bank loan | BDT | 8.0-10.0% | 13,393 | 13,393 | - |
| Unsecured debentures | SLR | 10.5-10.9% | 13,637 | 13,637 | 2019 |
| Repayments | | | | | |
| Secured bank loans | SLR | 9.1% | 2,447 | 2,447 | 2016-2017 |
| Unsecured bank loan | SLR | 6.7% | 6,577 | 6,577 | - |
| Unsecured debentures | SLR | 10.2% | 2,330 | 2,330 | 2016-2020 |
| Public deposits, net | SLR | 9.2% | 2,131 | 2,131 | 2016-2020 |
| Balance at June 30, 2016 | | | | <u>158,004</u> | |

PART II

Management Summary Discussion and Analysis

First Half Results

The Company's financial results for the six months ended June 30, 2016 and comparative financial results for the six months ended June 30, 2015 are impacted significantly by a series of divestments: 1. in June 2015, the Company sold its entire 40.0% shareholding in Singer Thailand; 2. at yearend 2015, the Company made the decision to sell, with the subsequent sale in January 2016, of its entire 70.3% shareholding in Singer Pakistan; and 3. in April 2016 the Company made the decision to liquidate, now largely completed, its wholly-owned operation in Cambodia. As a consequence, Singer Thailand, Singer Pakistan and the Company's operation in Cambodia are shown as discontinued operations for 2015 and, as appropriate, for 2016, including five months operating results for Singer Thailand in the first half of 2015, six months operating results for Singer Pakistan in the first half 2015, and six months operating results for the Cambodian operation in both the first half of 2015 and the first half of 2016. As Singer Pakistan and the Company's Cambodian operation were not classified at the time as "held for sale", the Company's consolidated statement of income and comprehensive income for the first half 2015 has been restated to show discontinued operations separately from continuing operations.

The Company's comparative financial results for the six months ended June 30, 2015, were also impacted by the decision to recognize an impairment loss of \$10.9 million with respect to the SVP Notes at June 30, 2015. The carrying value of the SVP Notes was reduced to nil at yearend 2015.

Continuing operations

(continuing operations exclude Singer Thailand, Singer Pakistan and Brand Trading Cambodia)

For the six months ended June 30, 2016, consolidated revenue from continuing operations was \$231.5 million. This compares to consolidated revenue from continuing operations of \$196.5 million for the same period in 2015, an increase, as measured in U.S. dollars, of 17.8%. The increase reflects the very strong revenue growth at all locations.

Measured in local currency, revenue at Singer Bangladesh, Singer India and Singer Sri Lanka grew 37.0%, 26.1% and 23.0%, respectively, during the first half of 2016, as compared with the same period prior year.

The Company's revenue from continuing operations for the first six months of 2016 includes \$16.4 million of finance earnings on consumer credit sales, compared to \$15.8 million of such earnings for the same period in 2015, an increase of 3.8%. The slower growth in finance earnings compared to total revenue is due to more rapid growth in cash sales versus credit sales, in both Sri Lanka and Bangladesh.

Gross profit from continuing operations for the six months ended June 30, 2016 was \$71.6 million, representing a gross profit margin of 30.9%, as compared to \$60.9 million and a gross profit margin of 31.0% for the six months ended June 30, 2015. The decline in gross profit margin reflects the drop in finance earnings, with a higher gross profit margin, as a proportion of total revenue.

Other income from continuing operations for the six months ended June 30, 2016 and June 30, 2015 remained largely unchanged at \$0.9 million and \$1.0 million, respectively.

Selling and administrative expenses ("S&A") from continuing operations for the six months ended June 30, 2016 were \$48.9 million, representing 21.1% of revenue, as compared to \$43.3 million and 22.0% of revenue for the six months ended June 30, 2015. The decrease in S&A expenses relative to revenue is due to strong revenue growth relative to fixed period costs.

Other expenses, primarily royalty paid to SVP for the use of the Singer trademark by Singer Asia and its operating companies, increased to \$2.3 million for the six months ended June 30, 2016 from \$2.1 million for the six months ended June 30, 2015, reflecting the growth in revenue.

Results from operating activities from continuing operations for the six months ended June 30, 2016 was a profit of \$21.2 million, compared to a profit of \$16.5 million for the same period in 2015. The 28.5% increase in results from operating activity is largely due to the flow through of the strong revenue performance at all locations and the decline in S&A expenses relative to revenue.

Impairment loss arising from the SVP Notes, a non-cash charge of \$10.9 million, was recognized during the six months ended June, 30, 2015. The impairment loss reflected management's estimate at June 30, 2015 of the fair value of the SVP Notes. The SVP notes fair value estimate was reduced to nil at year end 2015. No impairment charge was required in the first six months of 2016.

Net finance costs from continuing operations for the six months ended June 30, 2016 were \$7.5 million as compared to \$6.4 million of such costs for the same period in 2015. The increase in net finance costs primarily reflects an increase in interest expense in Sri Lanka, as a result both of higher borrowings and higher interest rates.

The share of loss from an equity-accounted investee was \$0.2 million for the six months ended June 30, 2016. The investee was set up in early 2016 to engage in the manufacture of refrigerators in Bangladesh. There was no comparable expense in 2015.

The Company's profit before income tax from continuing operations was \$13.6 million for the six months ended June 30, 2016, compared to a loss of \$0.8 million for the same period in 2015. The improvement largely reflects the flow through of the improvement in results from operating activities, supplemented by the absence of the one-time impairment loss in the six months ended June 30, 2016. Excluding the impairment loss, the Company had a profit before income tax of \$10.0 million for the six months ended June 30, 2015.

Income tax expense from continuing operations was \$5.2 million for the six months ended June 30, 2016, compared to \$4.3 million for the six months ended June 30, 2015. If the effect of the impairment loss on the SVP Notes and the share of loss from equity-accounted investee is excluded, the effective tax rate for the 2016 and 2015 periods would be 37.8% and 42.6%, respectively. The decrease in effective tax rate is mainly attributable to a decrease in dividends declared by the operating companies, and resulting less dividend withholding tax.

For the six months ended June 30, 2016, the Company's net profit from continuing operations was \$8.4 million compared to a loss of \$5.1 million for the same period in 2015. Excluding the impairment loss on the SVP Notes, the Company's net profit from continuing operations was \$5.8 million for the six months ended June 30, 2015.

Discontinued operations

For the six months ended June 30, 2015, the results from discontinued operations include five months of operating results from Singer Thailand, and six months of operating results from Singer Pakistan and the Company's wholly own subsidiary in Cambodia. For the six months ended June 30, 2016, the results from discontinued operations include four months of operating results from Cambodia.

The loss from discontinued operation for the six months ended June 30, 2016 was \$1.2 million, compared to a net profit of \$29.3 million for the same period in 2015. This swing is mainly due to Singer Thailand, which gave rise to an operating profit and a gain on disposal totaling \$30.0 million in the period ended June 30, 2015.

The Company's total net profit for the period ended June 30, 2016 was \$7.2 million, compared to a profit of \$24.2 million in the same period prior year.

The profit attributable to equity holders of Retail Holdings was \$1.9 million for the six months ended June 30, 2016 as compared to \$6.0 million for the same period prior year. A profit of \$5.3 million is attributable to minority shareholders at the Company and its subsidiaries for the six months ended June 30, 2016, as compared to \$18.2 million for the six months ended June 30, 2015. The increase in the percentage of the profit attributable to the owners of Retail Holdings in the first half of 2016 as compared to the same period prior year, 25.8% and 24.7%, respectively, largely reflects the impairment loss on the SVP Notes for the six months ended June 30, 2015, which is wholly attributable to the shareholders of Retail Holdings

The profit attributable to Retail Holdings' shareholders is equivalent to earnings per share of \$0.35 for the six months ended June 30, 2016 as compared to \$1.13 per share for the same period prior year. Profit per share from continuing operations for the six months ended June 30, 2016 was \$0.48, compared to a loss of \$1.67 per share for the same period last year.

Liquidity and Capital Resources

Six Months Ended June 30, 2016

For the six months ended June 30, 2016, the Company had a net cash inflow from operations, before changes in working capital, and payments for interest and income tax, of \$19.4 million. Net working capital (changes in inventories, receivables and payables) increased by \$18.8 million, largely because of the increase in inventories, receivables and other current assets in Sri Lanka and Bangladesh reflecting the growth in these businesses. Cash used to pay interest and tax totaled \$11.0 million. As a result, the Company had a net cash outflow from operating activities of \$10.5 million for the six months ended June 30, 2016.

Net cash from investing activities for the six months ended June 30, 2016 was an inflow of \$3.5 million, primarily due to the receipt of the proceeds of the sale in Sri Lanka of Regnis (Lanka) PLC and Singer Industries (Ceylon) PLC to Singer (Sri Lanka) PLC. Cash used to acquire property, plant and equipment amounted to \$3.1 million.

Distributions to owners of Retail Holdings utilized \$26.0 million of cash. Distributions paid by the Company to non-controlling interests during the six months ended June 30, 2016 utilized \$ 30.8 million of cash.

Net borrowings increased by \$18.3 million during the first six months of 2016.

The net effect of the cash flow movements and exchange rate fluctuations was to decrease the Company's cash and cash equivalents by \$45.1 million for the six months ended June 30, 2016. As a result, cash and cash equivalents, net of bank overdrafts, declined to \$10.0 million as at June 30, 2016. Cash and cash equivalents, net of bank overdrafts, as at June 30, 2016 and December 31, 2015 were distributed as follows (in USD thousands):

| | <u>As at June 30, 2016</u> | <u>As at December 31, 2015</u> |
|----------------------------------|----------------------------|--------------------------------|
| At Retail Holdings corporate | 529 | 668 |
| At Sewko / Singer Asia corporate | 10,972 | 50,350 |
| At operating companies | (1,512) | 4,301 |
| Total cash and cash equivalents | <u>9,989</u> | <u>55,319</u> |

Current assets less current liabilities as at June 30, 2016 were \$96.2 million compared to \$129.4 million as at December 31, 2015, a decrease of \$33.2 million.

For a discussion of liquidity and capital resources during 2015, see the Company's 2015 Annual Report, dated March 2016.

Neither Retail Holdings, Sewko, Singer Asia or any of the Company's other subsidiaries were in default at June 30, 2016, at December 31, 2015, or at any time during the first six months of 2016 or during 2015 with respect to any interest or principal payments or with respect to any financial covenants under any of their lending arrangements.

Other

Research and Development; Environment

The Company does not carry out significant research and development. Amounts spent on research and development for the six months ended June 30, 2016 and June 30, 2015 were not material.

The Company believes that any costs resulting from environmental matters known to it will not have a material, adverse impact on the Company's financial condition or results of operation. The amount spent on environmental and pollution matters was not material for the six months ended June 30, 2016 and June 30, 2015.

Market Risks

The Company is subject to default risk with respect to consumer installment and trade receivables. A significant economic downturn in the Company's countries of operations could impair collection performance, reducing the value of the Company's receivables.

The Company is exposed to various foreign currency risks including, but not limited to, foreign denominated assets and liabilities, and revenues and expenses. Primary currency exposure is to currencies of the Indian subcontinent countries, Bangladesh, India, and Sri Lanka. The Company mitigates the risk from foreign currency fluctuations by seeking to match the currency of its liabilities with the currency of its assets. The Company has no foreign exchange forward contracts outstanding.

The Company is exposed to market risk for changes in interest rates relating principally to its debt obligations, primarily those with variable interest rates. The Company mitigates the risk from interest rate increases by seeking to reduce the mismatch between the duration of its assets, and its liabilities and equity, and by adjusting the interest rate charged on new installment receivables. The Company has no interest rate forward contracts outstanding.

The Company does not have any derivative financial instruments outstanding to hedge default, foreign currency, interest rate or other risks. The Company does not hold or issue financial instruments for trading purposes.