

**SUMMARY SEMI-ANNUAL REPORT**

**Retail Holdings N.V.**

**For the Semi-Annual Period Ended  
June 30, 2017**

## ABOUT RETAIL HOLDINGS

Retail Holdings N.V. (“Retail Holdings”, together with its subsidiaries and affiliates, the “Company”) is a holding company with one principal asset: a 54.10 % equity interest in Sewko Holdings Limited (“Sewko”). 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.

Sewko has retail and financial services businesses, operated through its 100% owned subsidiary Singer Asia Limited (“Singer Asia”), and that company’s majority-owned public subsidiaries in Bangladesh, India, and Sri Lanka. Sewko’s core business is the distribution in these markets of consumer durable products, primarily for the home, with supportive manufacturing, and with consumer credit and other financial services. The Company has no operating activities other than those carried out through Sewko.

Additional financial and other information about the Company, including: the Company’s audited consolidated financial statements for the twelve months ended December 31, 2016, and all prior financial statements since September 2000, together with the Auditor’s Reports thereon; the 2016 Annual Report, dated March 2017, 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](http://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](mailto:apappas@retailholdings.com).

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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, 2017, unless otherwise indicated.

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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](http://www.retailholdings.com).

## **CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS**

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. All forward-looking 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 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 to update or revise any information, including 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, political and security conditions, particularly in Asia, including levels of consumer spending; exchange rates, particularly between the U.S. dollar and the currencies in which Sewko makes significant sales or in which assets and liabilities are denominated; Sewko's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets; Sewko's continued ability to collect on outstanding receivables due from retail and wholesale customers; 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 2016 Summary Annual Report.

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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 2017.

As described in greater detail in the Company's 2016 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, 2017 (Unaudited) AND DECEMBER 31, 2016**

*In thousands of US Dollars*

|   | <u>Notes</u> | <u>June 30, 2017</u> | <u>December 31, 2016</u> |
|---|--------------|----------------------|--------------------------|
| <b>ASSETS:</b>  |              |                      |                          |
| Property, plant and equipment                           |              | 49,624               | 50,319                   |
| Intangible assets and goodwill                          |              | 7,523                | 7,563                    |
| Trade and other receivables due in excess of one year   | 9            | 52,492               | 44,256                   |
| Equity accounted investee                               |              | 3,681                | 3,622                    |
| Deferred tax assets                                     |              | 1,742                | 1,853                    |
| Other non-current assets                                |              | 10,161               | 9,219                    |
| <b>Total non-current assets</b>                         |              | <b>125,223</b>       | <b>116,832</b>           |
| Inventories   |              | 108,097              | 98,077                   |
| Trade and other receivables                             |              | 144,351              | 142,125                  |
| Cash and cash equivalents                               |              | 29,018               | 17,527                   |
| Other current assets                                    |              | 12,638               | 12,261                   |
| <b>Total current assets</b>                             |              | <b>294,104</b>       | <b>269,990</b>           |
| <b>Total assets</b>                                     |              | <b>419,327</b>       | <b>386,822</b>           |
| <b>EQUITY</b>   |              |                      |                          |
| Share capital   | 10           | 53                   | 53                       |
| Treasury Shares   |              | (7)                  | (7)                      |
| Share premium   |              | 3,618                | 3,618                    |
| Reserves  |              | (8,610)              | (6,411)                  |
| Retained earnings                                       |              | 53,090               | 51,921                   |
| <b>Equity attributable to owners of Retail Holdings</b> |              | <b>48,144</b>        | <b>49,174</b>            |
| <b>Non-controlling interest</b>                         |              | <b>77,991</b>        | <b>70,910</b>            |
| <b>Total equity</b>                                     |              | <b>126,135</b>       | <b>120,084</b>           |
| <b>LIABILITIES</b>                                      |              |                      |                          |
| Loans and borrowings over one year                      | 11           | 40,836               | 58,936                   |
| Employee benefits                                       |              | 6,028                | 5,754                    |
| Deferred income over one year                           |              | 640                  | 709                      |
| Warranty provision over one year                        |              | 328                  | 308                      |
| Deferred tax liabilities                                |              | 904                  | 968                      |
| Other non-current liabilities                           |              | 9,416                | 9,148                    |
| <b>Total non-current liabilities</b>                    |              | <b>58,152</b>        | <b>75,823</b>            |
| Bank overdrafts   |              | 28,175               | 16,549                   |
| Current tax liabilities                                 |              | 1,380                | 2,106                    |
| Loans and borrowings                                    | 11           | 130,401              | 97,959                   |
| Trade and other payables                                |              | 70,606               | 69,465                   |
| Deferred income   |              | 2,719                | 3,130                    |
| Warranty provision                                      |              | 1,759                | 1,706                    |
| <b>Total current liabilities</b>                        |              | <b>235,040</b>       | <b>190,915</b>           |
| <b>Total liabilities</b>                                |              | <b>293,192</b>       | <b>266,738</b>           |
| <b>Total equity and liabilities</b>                     |              | <b>419,327</b>       | <b>386,822</b>           |

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (Unaudited)**  
*In thousands of US Dollars except per Share data*

|   | Notes | June 30, 2017 | June 30, 2016 |
|---|-------|---------------|---------------|
| <b>Continuing operations</b>                                    |       |               |               |
| <b>Revenue</b>  |       | 256,159       | 231,482       |
| Cost of sales   |       | 181,739       | 159,880       |
| <b>Gross profit</b>   |       | 74,420        | 71,602        |
| Other income  |       | 1,185         | 884           |
| Selling and administrative expenses                             |       | (51,870)      | (48,924)      |
| Other expenses  |       | (2,562)       | (2,319)       |
| <b>Results from operating activities</b>                        |       | 21,173        | 21,243        |
| Finance income  |       | 383           | 398           |
| Finance costs   |       | (10,542)      | (7,857)       |
| <b>Net finance costs</b>  |       | (10,159)      | (7,459)       |
| Share of profit/(loss) of equity-accounted investee, net of tax |       | 181           | (164)         |
| <b>Profit before income taxes</b>                               |       | 11,195        | 13,620        |
| Income tax expense  | 8     | (5,204)       | (5,204)       |
| <b>Profit from continuing operations</b>                        |       | 5,991         | 8,416         |
| <b>Discontinued operations</b>                                  |       |               |               |
| Loss from discontinued operation, net of tax                    | 2     | -             | (1,243)       |
| <b>Profit for the period</b>                                    |       | 5,991         | 7,173         |
| <b>Attributable to:</b>   |       |               |               |
| Owners of Retail Holdings                                       |       | 1,201         | 1,850         |
| Non-controlling interests                                       |       | 4,790         | 5,323         |
| <b>Profit for the period</b>                                    |       | 5,991         | 7,173         |
| <b>Earnings per share (US Dollars)</b>                          |       | 0.26          | 0.35          |
| <b>Earnings per share – continuing operations (US Dollars)</b>  |       | 0.26          | 0.48          |

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (Unaudited)**

*In thousands of US Dollars*

|   | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| <b>Profit for the period</b>  | <b>5,991</b>         | <b>7,173</b>         |
| <b>Other comprehensive income</b>   |                      |                      |
| <b>Items that are or may be reclassified subsequently to profit or loss</b> |                      |                      |
| Foreign currency translation differences for foreign operations             | (2,129)              | (2,767)              |
| <b>Other comprehensive loss for the period, net of income tax</b>           | <u>(2,129)</u>       | <u>(2,767)</u>       |
| <b>Total comprehensive income for the period</b>                            | <u><b>3,862</b></u>  | <u><b>4,406</b></u>  |
| <b>Total comprehensive income attributable to:</b>                          |                      |                      |
| Owners of Retail Holdings   | 491                  | (1,059)              |
| Non-controlling interests   | 3,371                | 5,465                |
|   | <u><b>3,862</b></u>  | <u><b>4,406</b></u>  |

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED June 30, 2017 (Unaudited)**

*In thousands of US Dollars*

|  | Attributable to equity holders of the Company |                 |               |                     |                     |                   | Total   | Non-controlling interest | Total equity |
|--|---|-----------------|---------------|---------------------|---------------------|-------------------|---------|--------------------------|--------------|
|  | Share capital                                 | Treasury Shares | Share premium | Translation reserve | Revaluation reserve | Retained earnings |         |                          |              |
| Balance at January 1, 2017                           | 53  | (7)             | 3,618         | (21,131)            | 14,720              | 51,921            | 49,174  | 70,910                   | 120,084      |
| <b>Total comprehensive income for the period</b>     |   |                 |               |                     |                     |                   |         |                          |              |
| Profit   | -   | -               | -             | -                   | -                   | 1,201             | 1,201   | 4,790                    | 5,991        |
| Other comprehensive income                           | -   | -               | -             | (705)               | (11)                | 6                 | (710)   | (1,419)                  | (2,129)      |
| <b>Total comprehensive income for the period</b>     | -   | -               | -             | (705)               | (11)                | 1,207             | 491     | 3,371                    | 3,862        |
| <b>Transactions with owners of the Company</b>       |   |                 |               |                     |                     |                   |         |                          |              |
| <b>Contributions and distributions</b>               |   |                 |               |                     |                     |                   |         |                          |              |
| Distribution to owners of Retail Holdings            | -   | -               | -             | -                   | -                   | (9,300)           | (9,300) | -                        | (9,300)      |
| Distribution to non-controlling interests            | -   | -               | -             | -                   | -                   | -                 | -       | (6,197)                  | (6,197)      |
| <b>Total contributions and distributions</b>         | -   | -               | -             | -                   | -                   | (9,300)           | (9,300) | (6,197)                  | (15,497)     |
| <b>Changes in ownership interests</b>                |   |                 |               |                     |                     |                   |         |                          |              |
| Divestment of interests in subsidiaries              | -   | -               | -             | (1,483)             | -                   | 9,262             | 7,779   | 9,907                    | 17,685       |
| <b>Total change in ownership interests</b>           | -   | -               | -             | (1,483)             | -                   | 9,262             | 7,779   | 9,907                    | 17,685       |
| <b>Total transactions with owners of the Company</b> | -   | -               | -             | (1,483)             | -                   | (38)              | (1,521) | 3,710                    | 2,189        |
| Balance at June 30, 2017                             | 53  | (7)             | 3,618         | (23,319)            | 14,709              | 53,090            | 48,144  | 77,991                   | 126,135      |

**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 |               |                     |                     |                   |          | Non-controlling interest | Total equity |
|--|---|---------------|---------------------|---------------------|-------------------|----------|--------------------------|--------------|
|  | Share capital                                 | Share premium | Translation reserve | Revaluation reserve | Retained earnings | Total    |                          |              |
| Balance at January 1, 2016                           | 53  | 37,655        | (20,010)            | 12,781              | 44,165            | 74,644   | 89,605                   | 164,249      |
| <b>Total comprehensive income for the period</b>     |   |               |                     |                     |                   |          |                          |              |
| Profit   | -   | -             | -                   | -                   | 1,850             | 1,850    | 5,323                    | 7,173        |
| Other comprehensive income                           | -   | -             | (3,004)             | (293)               | 388               | (2,909)  | 142                      | (2,767)      |
| <b>Total comprehensive income for the period</b>     | -   | -             | (3,004)             | (293)               | 2,238             | (1,059)  | 5,465                    | 4,406        |
| <b>Transactions with owners of the Company</b>       |   |               |                     |                     |                   |          |                          |              |
| <b>Contributions and distributions</b>               |   |               |                     |                     |                   |          |                          |              |
| 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)     |
| <b>Total contributions and distributions</b>         | -   | (2,760)       | -                   | -                   | (26,457)          | (29,217) | (30,775)                 | (59,992)     |
| <b>Changes in ownership interests</b>                |   |               |                     |                     |                   |          |                          |              |
| Divestment of interests in subsidiaries              | -   | -             | 1,919               | (258)               | 1,852             | 3,513    | 5,317                    | 8,830        |
| <b>Total change in ownership interests</b>           | -   | -             | 1,919               | (258)               | 1,852             | 3,513    | 5,317                    | 8,830        |
| <b>Total transactions with owners of the Company</b> | -   | (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 CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (Unaudited)**

*In thousands of US Dollars*

|   | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                   |                      |                      |
| Profit for the period   | 5,991                | 7,173                |
| Adjustments for:  |                      |                      |
| Depreciation  | 1,988                | 1,963                |
| Amortization of intangible assets                             | 101                  | 101                  |
| Impairment loss of property, plant and equipment              | 16                   | 15                   |
| Gain from sale of property, plant and equipment               | (34)                 | (25)                 |
| Gain from sale of investment                                  | -                    | (2,688)              |
| Net finance costs   | 10,159               | 7,459                |
| Share of profit of equity-accounted investees, net of tax     | (181)                | 164                  |
| Income tax expense  | 5,204                | 5,204                |
|   | <b>23,244</b>        | <b>19,366</b>        |
| Changes in:   |                      |                      |
| - Inventories   | (10,475)             | (16,804)             |
| - Trade receivables   | (13,051)             | (5,790)              |
| - Other current assets  | (1,319)              | (5,916)              |
| - Trade and other payables                                    | 1,407                | 10,001               |
| - Provision and employee benefits                             | 274                  | 50                   |
| - Deferred income   | (411)                | (349)                |
| <b>Cash from operating activities</b>                         | <b>(331)</b>         | <b>558</b>           |
| Interest paid   | (10,542)             | (7,736)              |
| Income tax paid   | (5,082)              | (3,290)              |
| <b>Net cash (used in) / from operating activities</b>         | <b>(15,955)</b>      | <b>(10,468)</b>      |
| <b>Cash flows from investing activities</b>                   |                      |                      |
| Interest received   | 383                  | 399                  |
| Proceeds from sale of property, plant and equipment           | 34                   | 64                   |
| Proceeds from sale of investment, net of cash                 | 22,357               | 6,082                |
| Acquisition of property, plant and equipment                  | (2,910)              | (3,131)              |
| Proceeds from sale of intangible assets                       | -                    | 124                  |
| Acquisition of intangible assets                              | (122)                | -                    |
| <b>Net cash generated from investing activities</b>           | <b>19,742</b>        | <b>3,538</b>         |
| <b>Cash flows from financing activities</b>                   |                      |                      |
| Proceeds from borrowings                                      | 23,303               | 19,776               |
| Repayment of borrowings                                       | (9,960)              | (1,444)              |
| Distribution to non-controlling interests                     | (6,197)              | (30,775)             |
| Distribution to owners of Retail Holdings                     | (9,300)              | (25,965)             |
| Buy back of Retail Holdings shares                            | -                    | (2,760)              |
| <b>Net cash used in financing activities</b>                  | <b>(1,154)</b>       | <b>(41,168)</b>      |
| <b>Net (decrease) / increase in cash and cash equivalents</b> | <b>2,633</b>         | <b>(48,098)</b>      |
| Cash and cash equivalents at January 1                        | 978                  | 55,116               |
| Effect of exchange rate fluctuations on cash held             | (2,768)              | 2,971                |
| <b>Cash and cash equivalents at June 30</b>                   | <b>843</b>           | <b>9,989</b>         |

**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”) is a company domiciled in Curaçao (formerly part of the Netherlands Antilles). The Company was 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**

***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 impairment loss of USD 747 thousand was incurred on disposal during the first half of 2016.

**Impairment loss Additions**

**A Results of discontinued operations for period ended**

| <i>In thousands of U.S. Dollars</i>  | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|--|----------------------|----------------------|
|  | <u>Cambodia</u>      | <u>Cambodia</u>      |
| Revenue  | -                    | 504                  |
| Expenses   | -                    | (1,747)              |
| Results from operating activities  | -                    | (1,243)              |
| Income tax credit  | -                    | -                    |
| Gain on disposal on sale of discontinued operation                         | -                    | -                    |
| Gain on foreign currency translation differences of discontinued operation | -                    | -                    |
| Loss from discontinued operations, net of tax                              | -                    | (1,243)              |
| Loss per share (US Dollars)  | -                    | (0.13)               |

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

| <i>In thousands of U.S. Dollars</i>   | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---------------------------------------|----------------------|----------------------|
|                                       | <u>Cambodia</u>      | <u>Cambodia</u>      |
| Net cash used in operating activities | -                    | (411)                |
| Net cash from investing activities    | -                    | 522                  |
| Net cash used in financing activities | -                    | (313)                |
| Net cash outflow for the period       | -                    | (202)                |

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**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, 2016 (the “2016 Statements”). The 2016 Statements may be found at the Corporate/Investor section of the Company’s website at [www.retailholdings.com](http://www.retailholdings.com).

These condensed, consolidated, interim financial statements were approved by the Retail Holdings Board of Directors on August 15, 2017.

Results for the six-month period ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

**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 2016 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 2016 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 2016 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, 2017 and as at June 30, 2017**

| <i>In thousands of U.S. Dollars</i>          | <b>Bangladesh</b> | <b>India</b> | <b>Sri Lanka</b> | <b>Unallocated<br/>Amounts</b> | <b>Inter-segment<br/>Elimination</b> | <b>Total</b> |
|--|-------------------|--------------|------------------|--------------------------------|--------------------------------------|--------------|
| External revenue                             | 64,087            | 28,027       | 163,511          | 534                            | -                                    | 256,159      |
| Inter-segment revenue                        | -                 | 792          | -                | -                              | (792)                                | -            |
| Depreciation and amortization                | 488               | 76           | 1,525            | 7                              | -                                    | 2,096        |
| Impairment loss on accounts receivable       | 251               | 39           | 1,184            | -                              | -                                    | 1,474        |
| Impairment loss on inventory                 | (184)             | -            | (271)            | -                              | -                                    | (455)        |
| Profit / (loss) from operating activities    | 6,064             | 766          | 16,545           | (2,202)                        | -                                    | 21,173       |
| Interest income                              | 1                 | 16           | 354              | 12                             | -                                    | 383          |
| Interest expense                             | 852               | 38           | 9,645            | 7                              | -                                    | 10,542       |
| Share of profit of equity-accounted investee | 181               | -            | -                | -                              | -                                    | 181          |
| Income tax charge                            | 1,427             | 226          | 2,786            | 765                            | -                                    | 5,204        |
| Profit / (loss) before tax                   | 5,394             | 743          | 7,283            | 8,120                          | (10,345)                             | 11,195       |
| Capital expenditure                          | 402               | -            | 2,422            | 86                             | -                                    | 2,910        |
| Total assets                                 | 87,228            | 20,361       | 287,836          | 70,397                         | (46,495)                             | 419,327      |
| Total liabilities                            | 66,286            | 11,433       | 229,769          | 5,043                          | (19,339)                             | 293,192      |
| Net assets                                   | 21,301            | 8,928        | 58,029           | 65,356                         | (27,479)                             | 126,135      |

**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, 2016 and as at June 30, 2016

| <i>In thousands of U.S. Dollars</i>        | <b>Bangladesh</b> | <b>Cambodia<br/>(discontinued)</b> | <b>India</b> | <b>Sri Lanka</b> | <b>Unallocated<br/>Amounts</b> | <b>Inter-segment<br/>Elimination</b> | <b>Total</b> |
|--|-------------------|------------------------------------|--------------|------------------|--------------------------------|--------------------------------------|--------------|
| 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      |

There is no material change in the operating segments' total assets as compared to the amounts disclosed in the 2016 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, 2017, excluding the share of profit of equity-accounted investee, was 46.5 percent (six months ended June 30, 2016, 37.8 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, 2017 is USD 32.7 million.

**10. Share capital**

**Issuance and repurchase of ordinary shares**

There was no any issuance or repurchase of ordinary shares during the period.

As at June 30, 2017, 4,650,244 Retail Holdings shares are issued and outstanding.

**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, 2017        |                 |                              |                   | 156,895                |                         |
| <b>New Issues</b>                 |                 |                              |                   |                        |                         |
| Secured bank loans                | SLR             | 12.0- 14.5%                  | 8,288             | 8,288                  | 2017                    |
| Unsecured bank loans              | SLR             | 12.9-13.2%                   | 11,212            | 11,212                 | 2018/2020               |
| Unsecured bank loan               | BDT             | 8.0%                         | 3,083             | 3,083                  | 2017                    |
| Unsecured short-term loans        | SLR             | 11.75-12.50%                 | 74,533            | 81,956                 | 2017                    |
| <b>Repayments</b>                 |                 |                              |                   |                        |                         |
| Secured bank loans                | SLR             | 13.7%                        | 4,890             | 4,890                  | 2017                    |
| Secured bank loan                 | BDT             | 8.0%                         | 3,071             | 3,071                  | 2017                    |
| Unsecured bank loan               | SLR             | 13.5%                        | 323               | 323                    | 2017                    |
| Public deposits, net              | SLR             | 14%                          | 1,676             | 1,676                  | 2017                    |
| Unsecured short-term loans        | SLR             | 11.75-12.50%                 | 74,533            | 76,676                 | 2017                    |
| Currency translation changes      |                 |                              |                   | 3,561                  |                         |
| Balance at June 30, 2017          |                 |                              |                   | <u>171,237</u>         |                         |

## **PART II**

### **Management Summary Discussion and Analysis**

#### **First Half Results**

The Company's consolidated revenue from continuing operations was \$256.2 million, for the six months ended June 30, 2017. This compares to consolidated revenue from continuing operations of \$231.5 million for the same period in 2016, an increase, as measured in U.S. dollars, of 10.7%. The increase reflects revenue growth at all locations.

Measured in local currency, revenue at Singer Bangladesh, Singer India and Singer Sri Lanka grew 26.0%, 4.8% and 13.5%, respectively, during the first half of 2017, as compared with the same period prior year.

The Company's revenue from continuing operations for the first six months of 2017 includes \$17.6 million of finance earnings on consumer credit sales, compared to \$16.4 million of such earnings for the same period in 2016, an increase of 7.8%. The slower growth in finance earnings compared to total revenue is due to a slight shift in the sales mix, in both Sri Lanka and Bangladesh, to more cash and credit card sales.

Gross profit from continuing operations for the six months ended June 30, 2017 was \$74.4 million, representing a gross profit margin of 29.1%, as compared to \$71.6 million and a gross profit margin of 30.9% for the six months ended June 30, 2016. The decline in gross profit margin reflects both a drop in product margins, particularly in Sri Lanka where sluggish trading conditions limited that company's ability to increase prices sufficiently to cover higher import costs and a VAT tax increases, and a drop in finance earnings as a percentage of revenue.

Other income from continuing operations for the six months ended June 30, 2017 and June 30, 2016 was at \$1.2 million and \$0.9 million, respectively. The increase is due to an increase in finance penalties and commission income.

Selling and administrative expenses ("S&A") from continuing operations for the six months ended June 30, 2017 were \$51.9 million, representing 20.2% of revenue, as compared to \$48.9 million and 21.1% of revenue for the six months ended June 30, 2016. The decrease in S&A expenses relative to revenue is due to revenue growth and more stringent cost control. The decline was achieved despite increased advertising and promotion expenditure.

Other expenses, primarily royalty paid to SVP for the use of the Singer trademark by Singer Asia and its operating companies, increased to \$2.6 million for the six months ended June 30, 2017 from \$2.3 million for the six months ended June 30, 2016. Royalty is calculated as 1.0% of consolidated revenue.

Results from operating activities from continuing operations for the six months remained unchanged at \$21.2 for the periods ending June 30, 2017 and June 30, 2016.

Net finance costs from continuing operations for the six months ended June 30, 2017 were \$10.2 million as compared to \$7.5 million of such costs for the same period in 2016. The increase in net finance costs primarily reflects an increase in interest expense in Sri Lanka, as a result of both higher borrowings and higher interest rates.

The share of profit from an equity-accounted investee was \$0.2 million for the six months ended June 30, 2017, compared to a loss of \$0.2 million for the period ended June 30, 2016.

The Company's profit before income tax from continuing operations was \$11.2 million for the six months ended June 30, 2017, compared to a profit of \$13.6 million for the same period in 2016. The decline in profits is largely due to an increase of \$2.7 million in net finance costs.

Income tax expense from continuing operations remained unchanged at \$5.2 million for the six months ended June 30, 2017, compared to the same period prior year. The effective tax rate for the 2017 and 2016 periods is 46.5% and 38.2%, respectively.

For the six months ended June 30, 2017, the Company's net profit from continuing operations was \$6.0 million compared to a profit of \$8.4 million for the same period in 2016.

### ***Discontinued operations***

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. There were no discontinued operations for the six-month ended June 30, 2017.

The Company's total net profit for the period ended June 30, 2017 was \$6.0 million, down from a profit of \$7.2 million in the same period prior year.

The profit attributable to equity holders of Retail Holdings is \$ 1.2 million for the six months ended June 30, 2017, as compared to \$1.9 million for the same period prior year. A profit of \$4.8 million is attributable to minority shareholders at Sewko and its subsidiaries for the six months ended June 30, 2017, as compared to \$5.3 million for the six months ended June 30, 2016. The decrease in the percentage of the profit attributable to the owners of Retail Holdings in the first half of 2017 as compared to the same period prior year, 20.0% and 25.8%, respectively, reflects the impact of subsidiary share divestments during the last six months of 2016 and the first half of 2017.

The profit attributable to Retail Holdings' shareholders is equivalent to earnings per share of \$0.26 for the six months ended June 30, 2017, as compared to \$0.35 per share for the same period prior year.

## **Liquidity and Capital Resources**

### **Six Months Ended June 30, 2017**

For the six months ended June 30, 2017, the Company had a net cash inflow from operations, before changes in working capital, and payments for interest and income tax, of \$23.2 million. Net working capital (changes in inventories, receivables and payables) increased by \$23.4 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 \$15.6 million. As a result, the Company had a net cash outflow from operating activities of \$16.0 million for the six months ended June 30, 2017.

Net cash from investing activities for the six months ended June 30, 2017 was an inflow of \$19.7 million, primarily due to receipt of proceeds from divestment of shares in Singer (Sri Lanka) PLC, Singer Bangladesh Limited, and Singer India Limited. Cash used to acquire property, plant and equipment amounted to \$2.9 million.

Distributions to owners of Retail Holdings - - \$2.00 per share on May 17, 2017- - utilized \$9.3 million of cash. Distributions paid by the Company to non-controlling interests during the six months ended June 30, 2017 utilized \$ 6.2 million of cash.

Net borrowings increased by \$13.3 million during the first six months of 2017.

The net effect of the cash flow movements and exchange rate fluctuations decreased the Company's cash and cash equivalents by \$0.1 million for the six months ended June 30, 2017. As a result, cash and cash equivalents, net of bank overdrafts, declined to \$0.8 million as at June 30, 2017. Cash and cash equivalents, net of bank overdrafts, as at June 30, 2017 and December 31, 2016 were distributed as follows (in USD thousands):

|                                  | <u>As at June 30, 2017</u> | <u>As at December 31, 2016</u> |
|----------------------------------|----------------------------|--------------------------------|
| At Retail Holdings corporate     | 655                        | 529                            |
| At Sewko / Singer Asia corporate | 16,043                     | 10,972                         |
| At operating companies           | (15,855)                   | (1,512)                        |
| Total cash and cash equivalents  | <u>843</u>                 | <u>9,989</u>                   |

Current assets less current liabilities as at June 30, 2017 were \$59.1 million, compared to \$79.1 million as at December 31, 2016, a decrease of \$20.0 million.

For a discussion of liquidity and capital resources during 2016, see the Company's 2016 Annual Report, dated March 2017.

Neither Retail Holdings, Sewko, Singer Asia or any of the Company's other subsidiaries were in default at June 30, 2017, at December 31, 2016, or at any time during the first six months of 2017 or during 2016, 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, 2017 and June 30, 2016 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, 2017 and June 30, 2016.

### **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, other than a US dollar forward purchase contract in Sri Lanka that matches in amount and maturity a related US dollar denominated loan.

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.