RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT **2019/2020**

BROTHERS

The Brothers business area is a menswear fashion retailer and the number one destination when it comes to a smart and casual way of dressing, for all men no matter the occasion.

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DEPARTMENTS & STORES

The Departments & Stores business area conducts sales of fashion wear for women, men and children as well as accessories, jewelry and cosmetics at the NK department stores. Man of a kind is an online e-commerce destination for exclusive men's fashion and lifestyle that offers a curated fashion range in combination with inspiring shopping and service experience.

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POLARN O. PYRET

Polarn O. Pyret is the leading brand and store concept for baby and children's wear in the quality segment of the Nordic market. Polarn O. Pyret also has an international presence.

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RNB RETAIL AND BRANDS

owns, operates and develops stores and e-commerce within fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics. The focus is on providing excellent service and a world-class shopping experience. Sales are conducted through the store concepts Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The Group has some 190 stores and e-commerce platforms in 11 countries. RNB RETAIL AND BRANDS has been listed on Nasdaq Stockholm since 2001 under the ticker RNBS.

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The year in brief

Q1
- Brothers and Polarn O. Pyret relocate central warehousing to a highly automated logistics solution that satisfies increased demands on scaleability, flexibility and speed.

Q2
- New share issue totaling SEK 75 M finalized.
- Polarn O. Pyret launches in-store second hand sales.

Q3
- Corporate restructuring of three Swedish and one Norwegian subsidiary initiated.

Q4
- Subsidiaries filed for proposed arrangements with creditors.

The financial year in figures

Net sales	Operating income before goodwill impairment	EBIT margin before goodwill impairment	Cash flow from operating activities
SEK 1,784 M	SEK -157 M	-8.8 %	SEK 243 M
(SEK 2,267 M)	(SEK -45 M)	(-2.0%)	(SEK 49 M)

Vision

RNB RETAIL AND BRANDS' vision is to offer customers the ultimate shopping experience.

Business model

The core values pervade RNB's operations and define the corporate culture, which is a key building block of our strategy. The strategy is then given concrete form in the business plans of each individual business area with the aim of realizing our vision. Creating and maintaining a strong corporate culture is a key factor for realizing the vision through the strategy and business plans.

Financial goals

	Outcome 2020
The Group shall achieve a long-term EBIT margin of 5 percent	Negative
Brothers shall achieve a long-term EBIT margin of 4-6 percent	Negative
Departments & Stores shall achieve a long-term EBIT margin of 6-7 percent	Negative
Polarn O. Pyret shall achieve a long-term EBIT margin of 10 percent	Negative

Operating income before IFRS 16 and goodwill impairment.

Comments from the CEO

The year was mainly characterized by the Covid-19 pandemic and the corporate restructuring of the subsidiaries. Sales for the financial year came off to a weak start, particularly for Brothers and Polarn O. Pyret. Several of our markets were also affected by a mild winter, with fewer visitors and many campaigns and discounts. At the beginning of March, as a direct consequence of the Covid-19 pandemic, many of our in-store customers disappeared overnight, and with them our store sales. Alongside the sales decrease earlier in the year, this meant that we chose to file for corporate restructuring of the Swedish subsidiaries at the end of March.

Total sales for comparable stores decreased by 20.2 percent to SEK 1,784 M (2,267) in the financial year. E-commerce sales were strong throughout the year, with excellent growth rates. Profit excluding IFRS 16 and goodwill impairment, decreased to SEK -191 M (-45). Despite lower sales and profit, cash flow for the year improved to SEK 150 M (-1) as a result of lower inventories and costs.

Restructuring and program of measures

The application for corporate restructuring of the Group's Swedish subsidiaries was approved on March 23. Polarn O. Pyret Norway also filed for corporate restructuring in May.

The company made many difficult decisions during the period of corporate restructuring. All store rents in Sweden and Norway were renegotiated. Just under 25 percent of proprietary stores were closed down over the past five months. The common factor was that we did not expect these stores to remain profitable in the long term, given changing consumer behavior and current rent levels. The Group announced redundancies, and all employment contracts for store staff were renegotiated. The negotiations with employees and trade unions have gone smoothly, and the companies have now ensured more efficient in-store staffing levels. All areas of operations were reviewed, and cost cuts have been implemented at all levels.

The aim of the restructuring was to ensure more effective operations that are better-equipped to face the future. We achieved this aim.

The arrangements with creditors gained legal force on November 6, and the corporate restructuring was concluded on the same date. The benefits derived from the arrangements with creditors in the first quarter 2020/2021 are estimated to be worth more than SEK 200 M.

Brothers

Brothers came off to a weak start of the year, although the sales decrease slowed significantly in the second quarter. Strict cost control also ensured that profit for the second quarter improved. Brothers' updated clothing range started to reach stores in early 2020, and was appreciated by our customers.

When the Covid-19 pandemic reached Sweden and the rest of the Nordics in March, Brothers' sales were hit hard. Full-year sales and profit decreased significantly. On the upside, gross profit margin for the business area was only marginally down on the previous year, and even if visitor numbers were lower for comparable stores, in-store conversions increased. E-commerce continued to grow.

After the restructuring measures implemented in the year, Brothers is now a significantly stronger company. This creates a solid foundation for future profit improvements.

Departments & Stores

Following a stable start to the year, Departments & Stores lost a lot of ground in the run-up to Christmas. The effects of Covid-19 hit the business area hard. The number of visitors and paying customers in the two departments stores was down significantly in the third and fourth quarters. From March, tourism from outside Europe almost entirely ceased in the wake of the Covid-19 pandemic.

Departments & Stores offset lower sales by minimizing staffing, implementing cost savings and introducing short-term campaigns. Average spend per customer and conversion rates both increased in the year.

Man of a kind returned modest sales growth in the financial year. The increase would have been more significant without the supply chain disruption resulting from the Covid-19 pandemic. Better control of marketing costs increased Man of a kind's operating income for all quarters of the year.

Floor spaces and product ranges were renegotiated during the restructuring period, and the business area established a digital strategy. This means that we are now confident about future operations.

Polarn O. Pyret

Polarn O. Pyret started the financial year with a significant sales decrease. However, the situation improved gradually during the year, and from April onwards, sales increased for comparable stores. E-commerce operations continued to make very positive progress, and increased by 40 percent in the financial year.

Polarn O. Pyret implemented decisive measures to offset the consequences of Covid-19 and create a stronger company in the long-term. In total, 25 proprietary stores in Sweden and Norway were closed in the financial year. As a result of the corporate restructuring, Polarn O. Pyret has been able to implement changes in five months that would otherwise have taken several years. The company is now resting on a solid foundation and has a strong brand and motivated staff, creating the right conditions for profit growth looking ahead.

Increased sustainability focus

Following the corporate restructuring, the companies have entered a new era. In terms of the sustainability work, our activities are implemented on the basis of prioritized objectives. Each company now has a sharper focus on specific goals.

Brothers has updated its sustainability page on the e-commerce site, and published all Tier 1 suppliers and production units to increase the transparency of the company's sustainability work. 58 percent of the clothing range is now produced using more sustainable materials, and 82 percent of the cotton range uses more sustainable cotton.

During the year, Departments & Stores renegotiated a number of contracts, which implied more updated CSR agreements and improved compliance with the company's and NK's supplier demands. In connection with the refurbishment of in-store departments, we have taken the opportunity to replace existing lighting with more energy-efficient alternatives.

Polarn O. Pyret introduced second hand sales in all its stores. The entire cotton range is now organic, of which 55 percent is GOTS-certified. In order to reduce the climate impact through less surplus production, we have decreased seasonal discounting by 23-33 percent and the proportion of carry-over styles has increased by 39 percent.

E-commerce offers a ray of light

The shift towards online shopping and away from physical stores increased as a result of the Covid-19 pandemic. RNB already had a high proportion of e-commerce in relation to total sales, and this was accentuated further during the financial year. RNB's e-commerce sales increased by 30 percent compared to the previous year, amounting to 15.7 percent (9.5) of total Group sales. Excluding operations that do not offer online sales, the share of e-commerce was 27 percent in the financial year and as high as 32 percent in the final quarter.

Good starting point, but the pandemic is far from over

It is no exaggeration to say that this year has been the most dramatic and challenging in the company's history. Several clothing retailers have gone into liquidation or filed for corporate restructuring, and many are fighting for survival.

The Covid-19 pandemic is now worsening once more, which risks affecting sales growth significantly over the coming financial year. While we cannot control these developments, I can assure you that RNB has done everything in its power to survive the current market crisis. I am proud of the work my colleagues have carried out during the year. The restructuring has provided us with excellent opportunities to review all areas of operations, and the measures implemented mean that we are confident that we will achieve profitability in all business areas in the future.

Kristian Lustin
President and CEO

RNB in summary

RNB RETAIL AND BRANDS owns, operates and develops stores and e-commerce within fashion, clothing, accessories, jewelry and cosmetics. The vision is to offer our customers the ultimate shopping experience. Sales are conducted through the store concepts Brothers, Man of a kind and Polarn O. Pyret. The business area Departments & Stores manages stores in Nordiska Kompaniet's two department stores. The four concepts are clearly positioned and differentiated, with inspiring stores and e-commerce operations, excellent service and an attractive and targeted fashion range. The Group has some 190 stores and e-commerce platforms on 11 national markets.

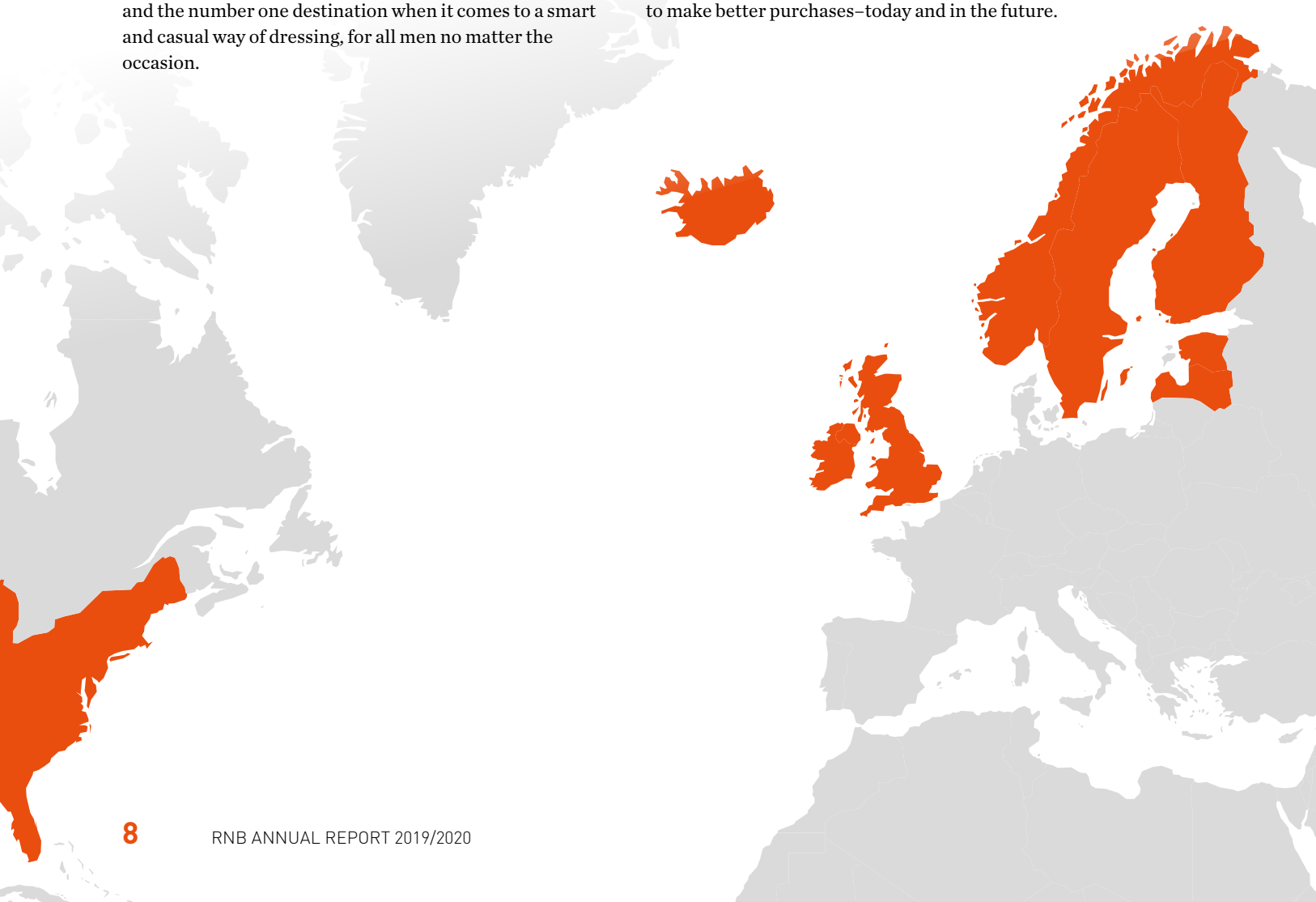
The **Brothers** business area is a menswear fashion retailer and the number one destination when it comes to a smart and casual way of dressing, for all men no matter the occasion.

Departments & Stores offers customers an international product mix in an inspiring environment with world-class service.

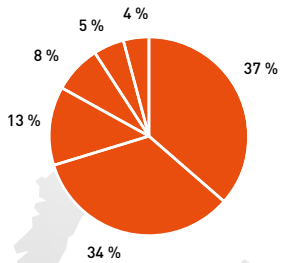
Man of a kind is the online destination for exclusive men's fashion and offers a carefully selected premium clothing range and world-class service in an inspiring digital environment.

Based on its devotion to children **Polarn O. Pyret** provides the most relevant and attractive

range of quality clothing. With expertise, passion and commitment, we guide and inspire our paying customers to make better purchases–today and in the future.

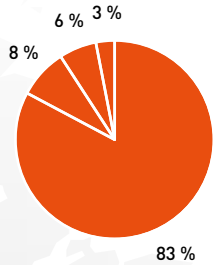


Net Sales 2019/2020 per product category, %



37 %	Children
34 %	Men
13 %	Underwear & accessories
8 %	Women
5 %	Cosmetics
4 %	Jewelry

Net Sales 2019/2020 per geographical market, %



83 %	Sweden
8 %	Finland
6 %	Norway
3 %	Other

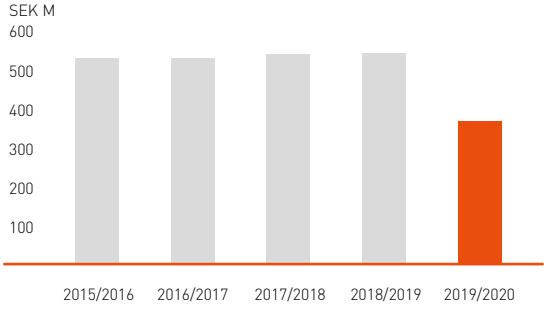
Business area	Net sales for the period, 12-months	Share, (%)	Operating income for the period excl. IFRS 16 and goodwill impairment, 12-months	Number of employees		Own stores		Franchise agreements	
						Stores	E- ommerce	Stores	E-commerce
BROTHERS	SEK 364 M	20%	SEK -83 M	180	Total	38	1	5	
					Sweden	38	1	5	
					Finland				
DEPARTMENTS & STORES	SEK 739 M	41%	SEK -51 M	289	Total	40			
					NK Stockholm	25			
					NK Gothenburg	15			
Man of a kind	SEK 25 M	1%	SEK -3 M	5	Total		1		
POLARN O. PYRET	SEK 656 M	37%	SEK -28 M	274	Total	69	8	21	8
					Sweden	37	6	6	
					Norway	11	1		
					Finland	19	1	1	
					England			8	3
					USA			2	2
					Estonia	2			
					Ireland			1	1
					Scotland			1	1
					Iceland			1	
					Latvia			1	
					Switzerland				1
Total	SEK 1,784 M		SEK -191 M	757		147	10	26	8
RNB RETAIL AND BRANDS						173 stores	18 e-commerce	11 countries	

1 Departments & Store's and Brothers' operating income before goodwill impairment.

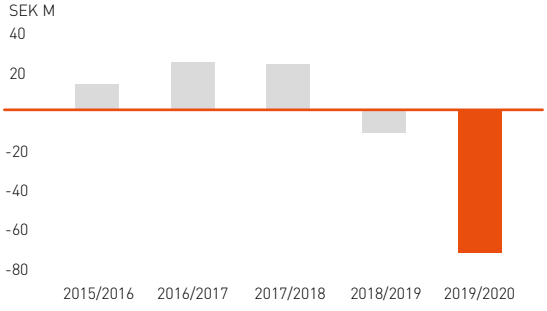
BROTHERS

Brothers is a menswear fashion retailer and the number one destination when it comes to a smart and casual way of dressing, for all men no matter the occasion. The range consists of own brands Riley, East West and The Tailoring Club, plus external brands. The stores are operated by RNB or franchisees, but regardless of operator, all Brothers stores have the same ambition: Helping every man to be their best self.

Net sales



Operating result



Vision

To be the number one destination in the mid-price segment for all men who want a well-dressed, modern look, and want to feel comfortable and confident regardless of age or size.

Mission

To maximize value for money through affordable quality, an excellent updated fit, great fashion and world-class service.

Business concept

Smart casual men's fashion that gives the modern, fashion-conscious man maximum value for money.

Key ratios Brothers

SEK M	**19/20**	18/19
Net sales	364	539
Share of RNB's sales, %	20	24
Operating income excl. IFRS 16 and goodwill impairment	-83	-12
Number of employees	180	244
Number of stores	43	65
Number of e-commerce platforms	1	2

Stable gross margin despite pandemic

Sales in comparable stores in Sweden decreased by 24 percent expressed in SEK. Net sales in the Brothers business area decreased by 32 percent to SEK 364 M (539). Net sales from franchise stores were down compared to the previous year.

Operating income decreased to SEK -116 M (-12) in the period, including goodwill impairment of -43 SEK M (0). Excluding IFRS 16 and goodwill impairment, operating income was SEK -83 M (-12).

Gross margin in the business area was marginally lower year-on-year.

There were fewer visitors in comparable stores compared to the previous year, although the hit rate was higher.

Restructuring and program of measures

In the wake of the Covid-19 pandemic, there has been an unprecedented decline in consumption, with disruptions to supply chains and significant sales reductions in the clothing sector as a whole. We have also seen an accelerated shift away from city centers and shopping malls, and towards suburbs and small towns, as well as a very clear shift away from physical stores towards e-commerce.

Since the decision to initiate corporate restructuring in March 2020, Brothers has made many difficult business-critical decisions and implemented a very extensive program of measures to reduce costs and adapt and optimize the store holding. The operations in Finland have been terminated. During the year, 17 proprietary stores and one e-commerce store were closed, as well as six franchise stores. One franchise store was taken over.

Smart casual fashion in the mid market segment

Brothers is a market leader in smart casual men's fashion in the mid market segment. The target group consists of men who want to dress well in updated styles without having to pay a fortune. While they appreciate great style and quality, they have no need to be first to wear the latest trends.

To strengthen this position, work is currently underway to develop and clarify Brothers' offering. In terms of style, this relates to a shift away from traditional styles towards a more contemporary look, and from formal attire towards more smart casual styles. We want our customers to experience Brothers as a fashion retailer rather than a traditional clothing store. More daring and exciting than predictable and, especially, more inclusive rather than exclusive.

Local traders deliver

By encouraging and supporting the values of local traders in our stores, we have increased the share of paying customers despite the drop in visitor numbers. Because customer inflows to our smaller stores, and stores in the suburbs, have increased, we see potential in continuing to present a local offering with regional adaptations and partnerships.

Increased share of e-commerce

The number of visitors to our e-commerce sites increased, and the conversion rate was up on the previous year. E-commerce sales corresponded to 10 (7) percent of Brother's total sales in the year, and doubled to 12 (6) percent in the quarter.

As customer purchasing behaviors have changed, with more people now shopping online, we have adapted our digital channels and made significant logistics improvements by providing better delivery options for our customers, as well as making systems improvements such as introducing new payment solutions.

Brothers stronger after remodeling

Customer needs, behaviors and expectations on a market undergoing rapid changes places high demands on Brothers in terms of remaining relevant to its target group.

Our local trader focus and customized interactions regardless of where and how customers approach us, will make Brothers the number one destination for men who want a well-dressed, modern look, and to feel confident in the clothes they choose to wear.

During the next financial year, Brothers will change e-commerce platform to better match customer expectations in the digital arena.

We will continue to broaden Brothers with an upgraded customer offering, but also through different partnerships that allow us to reach more customers in Sweden and internationally.

Although the Covid-19 pandemic will pass, many changed purchasing patterns are expected to remain. Brothers now stands strong on its own two legs, with low costs, slimmed-down inventories and a competitive store holding with a good geographical spread throughout Sweden.

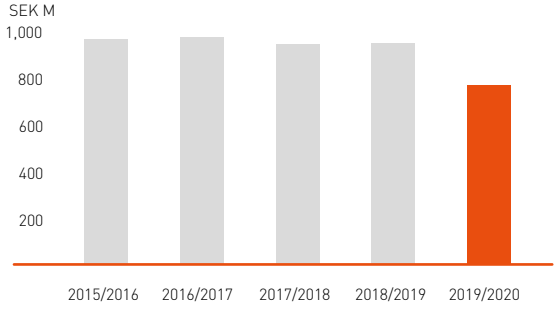
The past year has presented some tough challenges and we have been forced to make many business-critical decisions, but after the restructuring and changes have been carried out, Brothers now stand stronger than before. However, we will not stop there. The development and adaptation of our business and customer offering continues unabated.

We are not at the end of the tunnel yet, but we will be able to capitalize on growth once the market turns the corner.

DEPARTMENTS & STORES

Departments & Stores provides a unique distribution platform for national and international brands in the premium and luxury segments. The company has extensive operations in the Nordic region's leading department stores Nordiska Kompaniet. The operations extend from children's clothing to jewelry, and all customers have high demands on service, product knowledge and quality. Man of a kind is an online e-commerce destination for exclusive men's fashion and lifestyle that offers a curated fashion range in combination with an inspiring shopping and service experience.

Net sales



Vision

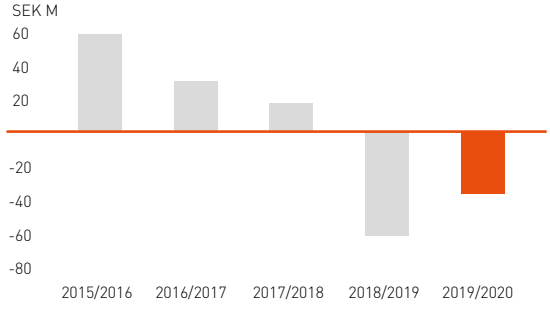
With commitment, outstanding service and inspiring concepts, we are the number one choice when purchasing premium and luxury brands online and in store.

Business concept

Departments & Stores develops inspiring destinations with world-class brands and service

Man of a kind is an inspiring online destination with a curated exclusive fashion range for the Scandinavian modern man

Operating result[1]



Key ratios Departments & Stores, incl. Man of a kind

SEK M	**19/20**	18/19
Net sales	764	943
Share of RNB's sales, %	43	41
Operating income excluding IFRS 16 and goodwill impairment	-54	3
Number of employees	294	369
Number of stores	40	42
Number of e-commerce platforms	1	1
Total area, Sqm	13,013	12,018

1 Before goodwill impairment of SEK -141 M.

Fewer visitors but higher average spend

Net sales in the Department & Stores business area decreased by 20 percent to SEK 739 M (920).

The number of visitors in the two in-store departments in Stockholm and Gothenburg was down in year-on-year terms, specifically in the third and fourth quarter. Non-European tourists decreased by 98 percent in April and the ensuing months as a result of the pandemic.

Departments & Stores offset lower sales by minimizing staffing, operations-wide cost cuts and short-term sales campaigns. Average spend per customer increased, as did the conversion rate, which shows that we take good care of the visitors that do come, and that they are more willing to make a purchase.

Gross margin decreased year-on-year due to a higher number of campaigns and longer periods of sales reductions.

Operating income totaled SEK -175 M (-48), including goodwill impairment of SEK -141 M (-65). Excluding IFRS 16 and goodwill impairment, operating income was SEK -51 M (17).

Business inventories were lower and with a better mix at the end of the year compared to the previous year, despite an increased total store space.

NK 2020 project completed

The extensive business development project aimed at giving the department store world-leading status with an increased focus on premium and modern luxury was completed, for our departments, during fall 2020.

During the year, Department & Stores opened NK Details in Stockholm and Gothenburg. NK Male Grooming in Stockholm relocated to a different floor. A piercing studio opened on the ground floor in Stockholm, with the Swedish jewelry brand Ennui Atelier and NK Hair Bar. In Stockholm, NK is home to Luxury Corner with Versace, Balmain and Bulgari. The Hugo Boss and Boss stores have been completed and have opened, and Byredo has opened its regular store on the ground floor.

Man of a kind focuses on growth

Sales growth for Man of a kind was something of a disappointment in the financial year. Despite strong progress for e-commerce generally, the business area did not reach its target for the year. This was largely due to a shortage of goods caused by disruptions to the supply chain in the wake of the pandemic. Net sales in the Man of a kind business area increased to SEK 25 M (24).

Gross margin was higher year-on-year due to the full price strategy for most of the year, new ranges and brands. Through improved control, mainly of marketing costs, operating income improved to SEK -3 M (-14).

Some of the brands Man of a kind offers online are exclusive to the company in Sweden, and these brands are not available online through any other retailer.

NK launches e-commerce operations

In September 2020, NK initiated its digital launch on NK.se. Departments & Stores' stores were not part of the initial e-commerce offering, and the plan is for the operations to be included at a later stage.

Increased focus on security

NK's shift towards luxury and exclusivity with high-value items means an increased focus on security. Departments & Stores works actively alongside NK to improve security resources and perimeter protection for the department store. The ongoing pandemic has also implied an increased need for ensuring the personal security of customers and staff, in order to reduce the infection risk while spending time in the store.

Optimized store operations and fewer brands

Since the decision to initiate corporate restructuring was made, Departments & Stores has needed to make many difficult business critical decisions, and has completed an extensive range of measures to cut costs and optimize operations of the stores in both NK department stores. Reduced staffing levels has made staff scheduling more efficient, which will boost profitability significantly over the coming years. During the restructuring process, Departments & Stores renegotiated floor spaces and product ranges, and established a digital strategy.

We continue to actively improve and develop the customer offering. The primary goal is to improve the customer offering, and reduce capital tied up and inventories by 20 percent.

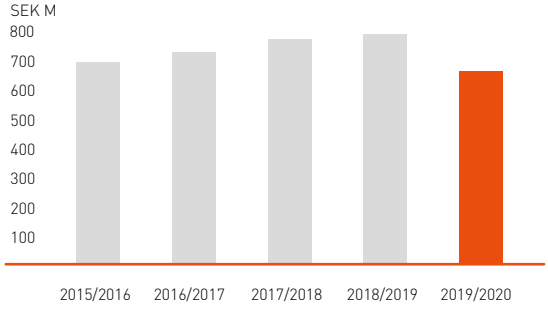
In accordance with the new strategy, we reduced the number of brands in our portfolio during the year, although we also added to the offering by including strong fashion brands such as CK Jeans and luxury brands Balmain, Dior, Gucci and Versace.

Departments & Stores is now looking to the future with a significantly improved cost structure, an upgraded product range and streamlined inventories.

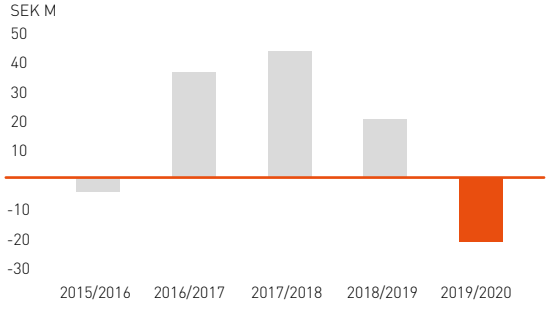
POLARN O. PYRET

Polarn O. Pyret is a brand for baby and children´s wear, with products that are designed, produced and distributed through proprietary stores and franchise stores in Sweden and abroad. Since inception in 1976, Polarn O. Pyret has established a position as the leading brand and store concept for children's wear in the quality segment of the Nordic market, and its clothing is recognized for its high quality, functionality, design and service. Polarn O. Pyret is established on eleven markets.

Net sales



Operating result



Vision

Polarn O. Pyret's vision is to understand and cater for what children want and need.

Mission

Through its devotion to children, Polarn O. Pyret shall provide the most relevant and attractive range of quality clothing. With expertise, passion and commitment, we guide and inspire our customers towards better purchases—today and in the future.

Business concept

What: Smart clothing for children's needs

Who: Parents and gift purchasers, based on children's needs and wishes

Key ratios Polarn O. Pyret

SEK M	**19/20**	18/19
Net sales	656	784
Share of RNB's sales, %	37	36
Operating income excl. IFRS16	-28	20
Number of employees	274	355
Number of stores	90	126
Number of e-commerce platforms	16	11

Decreased sales and profit

Net sales totaled SEK 656 M (784) in the period. Sales in comparable proprietary stores decreased by 11 percent year-on-year on all national markets, expressed in SEK.

The total number of paying customers in comparable stores was down on the previous year. The in-store conversion rate decreased and average spend per customer increased.

Operating income was SEK -22 M (20). Operating income excluding IFRS 16 amounted to SEK -28 M (20).

The decrease in the first half-year was mainly due to the mild winter, which affected the season for outerwear, while the Covid-19 pandemic slowed sales from March.

Inventories were down at the end of the year compared to the previous year, due to lower purchasing and several successful sales campaigns. The inventory product mix also improved.

Reconstruction and program of measures

Since the decision to initiate corporate restructuring was made in March 2020, forceful measures have been introduced to adapt Polarn O. Pyret to the consequences of the Covid-19 pandemic and create a stronger company in the long term.

Cost cuts have been introduced across the board. A total of 25 stores have been closed, 15 in Sweden and 10 in Norway, as we could not achieve viable long-term rent levels. Swedish and Norwegian store staff have been laid off as a result of the store closures. Store opening hours have been reduced to a minimum. Administrative staff has been cut back, and purchasing volumes have been reduced by more than 30 percent for the coming year.

Speed to market

Flexibility in the business model has never been more important than in uncertain times like those experienced in the second half of this year. Important work is now underway to change working processes for the fashion ranges and purchasing. The focus is on reducing lead times in product development, purchasing and production. The objective is a more effective and flexible goods flow from idea, through production and then delivery to stores or directly to the homes of customers through e-commerce sales.

Sustainability is in PO.P's DNA

Since inception in 1976, Polarn O. Pyret has sought to make quality clothing with a long life span that can be worn by many individuals – that is real sustainability. The aim is "three children in each garment", which has led to the creation of the service PO.P Repairs, where Polarn O. Pyret offers repairs to outerwear in all its stores, with the aim of further extending the life span of its garments. In August 2020, we started rolling out second hand sales in our stores, which have come off to a flying start. This year, Polarn O. Pyret will present an independent sustainability report for the first time, which emphasizes the sustainability work the company has carried out during the year.

Strong increase in e-commerce

Polarn O. Pyret's e-commerce sales increased sharply in 2019/2020, and now comprise more than 34 (20) percent of total annual sales. Sales growth in the year was 40 percent, a rate that is expected to continue over the coming year.

The partnership with Nowaste Logistics, which was initiated in fall 2019, and involved moving to new central warehousing facilities, has created a very efficient infrastructure and improved flexibility which was previously lacking.

Changed customer behaviors and Polarn O. Pyret's success in e-commerce contributed to shifting our focus from primarily being a physical retailer to becoming an e-tailer.

Launch of e-commerce operations in Germany

PO.P launched e-commerce operations for the German market in June 2020.

The reception exceeded expectations and an increased number of marketing activities in August and September led to very high sales rate in September 2020, albeit still at low levels.

Germany is Polarn O. Pyret's first foreign establishment based on the "e-commerce first" model. This means that a loyal customer base can be created before potential store establishments, which implies significantly lower costs and risks compared to traditional store establishments.

Five-year plan implemented in five months

The Covid-19 pandemic has hit the retail industry hard, and Polarn O. Pyret implemented a very extensive restructuring program during the year. Much of the change work would have been carried out regardless of the pandemic, but not as quickly. In practice, a five-year plan has been implemented in five months, while simultaneously managing the consequences of the pandemic.

Polarn O. Pyret is exiting this period as a stronger operator, and now enjoys a significantly improved cost structure and a slimmed-down and efficient organization. In spite of a potentially continuing economic crisis resulting from the Covid-19 pandemic, Polarn O Pyret has further growth potential, particularly in e-commerce. We also foresee significant growth potential in new channels and with new business models.

Overall, there is good potential to reverse last year's negative profit trend over the coming financial year.

RNB's Sustainability initiatives

RNB works on the basis of a long-term approach and sustainability in all relations – with its employees, customers, suppliers and in relation to the environment. This is part of the company's core values and contributes to achieving the overall goal of generating profitable and sustainable growth and long-term value for shareholders and other stakeholders.

RNB's sustainability work is based on taking genuine responsibility for creating financially, ecologically and socially sustainable progress, where the company continuously considers its impact on the environment and people.

Sustainability is one of four main focus areas in RNB's ownership strategy, and the subsidiaries' work is based on three shared long-term target areas.

RNB's prioritized long-term sustainability goals

Responsible production

All goods sold through RNB subsidiaries shall be produced in accordance with international standards and regulatory frameworks governing working conditions and human rights. In cases where there is a risk of non-compliance, measures shall be implemented on a continuous basis in order to improve conditions. Environmental impact from production is continuously monitored and minimized wherever possible.

Attractive fashion range and safe products

Products sold through RNB's subsidiaries should be safe for the user and should not contain chemicals that may be hazardous for people or the environment. Design, choice of materials and sourcing should consider safety, the environment and ethics.

Long-term sustainable operations

RNB's operations should be conducted responsibly and with respect for each stakeholder, which means that continuous improvements in terms of social responsibility and environmental impact should be an integral part of the day-to-day work of the Group and its subsidiaries.

1. Design & purchasing

The starting point of our activities, where we reconcile conclusions from previous seasons to improve and design quality products. Strategies, demands and goals are determined with the aim of generating long-term business.

5 Consumption

By offering options to improve circular production and interact with customers about what they can do to prolong the lifespan of our products, we can decrease our shared environmental footprint.

2. Production

This is the main activity where ideas are transformed into products, and represents the biggest environmental impact. During production, we control, upgrade and evaluate suppliers and our own activities.

4 Sales

Developing store operations with renewable and efficient energy sources improves our environmental impact, and this is where our sales staff and sales applications create costumer value and communicate our sustainability work on a day-to-day basis.

3. Logistics

Efficient transportation from production to our customers provides the foundation for an outstanding shopping experience and serves to reduce environmental impact and greenhouse gas emissions.

RNB's value chain

The long-term goals are based on an analysis of RNB's value-creating physical flows and activities in the subsidiaries, and on the economic, ecological and social impact of the various links in this value chain.

The greatest environmental impact is associated with raw materials extraction and production, and the greatest risks associated with human rights and social impact lie in the manufacturing process. This means that the subsidiaries' sustainability focus in relation to its fashion ranges, purchasing and production is aimed at these areas.

In addition, RNB identifies employee competences in the area, the internal working environment and climate impact, and the opportunity to utilize the company's platforms to contribute to positive social change through point-of-sale initiatives, as these are key factors for addressing long-term sustainable progress.

Policies and requirements

The activities in RNB's value chain are affected by legislation on national markets and in production regions, as well as sector standards, Group policies and requirements imposed by the subsidiaries. Group-wide policies for all RNB's operations are established at group level. In addition to these policies, each subsidiary can establish more far-reaching requirements and goals with the aim of living up to specific expectations and demands relating to the brand. All employees are given an introduction to this framework when starting employment.

RNB's Sustainability policies

Code of Conduct
The amfori BSCI Code of Conduct is a set of values, principles and an approach to implementation that all amfori BSCI-participating companies commit to adhere to, alongside their business partners in the supply chain. The code is based on the ILO declaration on fundamental principles and rights at work, OECD guidelines for multinational enterprises and the UN's guiding principles on business and human rights. The code includes eleven principles: The Rights of Freedom of Association and Collective Bargaining, No Discrimination, Fair Remuneration, Decent Working Hours, Occupational Health and Safety, No Child Labour, Special Protection for Young Workers, No Precarious Employment, No Bonded Labour, Protection of the Environment, Ethical Business Behaviour. RNB has participated in the Amfori BSCI initiative since 2004. From this financial year, the subsidiaries participate independently in the initiative.

Environmental policy
RNB shall contribute to sustainable development of the fashion and beauty industry through active and long-term environmental efforts. RNB affects the environment in its daily operations and through the products it sells. This occurs through the consumption of natural resources, emissions and waste. We apply our knowledge of operations, and environmental considerations to our strategic decisions. Practical compliance with the environmental policy is implemented through internal purchasing requirements, guidelines and routines in each subsidiary.

Animal welfare policy
In the RNB supply chain, animals shall be treated well and be protected from unnecessary suffering and disease If there is any deviation from this, RNB should investigate and prioritize alternative materials or methods. RNB strives to place stringent demands on the protection of animals, and wherever possible requests documentation that substantiates this. Materials from endangered animals are not permitted in any form of production. This is based on the CITIES convention and the European legislation for protection of species and wild fauna and the "Five Freedoms" set out by the World Organization for Animal Health (OIE).

Personnel-related policy
The RNB Group's employees are our most valuable resource, and Human Resource (HR) policies include a wide range of topics, such as diversity, equality, physical and mental health, and a safe working environment. By implementing HR strategies, employee surveys and by creating a joint platform, we continuously evaluate and secure our employees' working conditions.

Anti-corruption policy
RNB has zero tolerance of bribery and corruption. We regulate this in two policies to guarantee ethical business behavior. One policy regulates employee behavior in interactions with suppliers and external brands to assure professionalism, integrity and transparency throughout the supply chain, and is regulated in employment contracts. The second policy focuses on employees at supplier level, and is regulated in the BSCI Code of Conduct in supplier agreements. The audits include control of documentation, no falsification of documents and finally how suppliers handle personal information. Employees in subsidiaries, and employees of suppliers who have signed BSCI's Code of Conduct, as well as suppliers who have signed the Bangladesh Accord, have whistleblower systems in place to capture any incidents.

Stakeholder dialog and materiality analysis

From the financial year 2019/2020, the sustainability work has been fully integrated into the relevant subsidiaries' organizations. Sustainability impact in the value chain occurs in the relevant subsidiary and not for the Parent Company, which means that subsidiaries have designed their own sustainability strategies on the basis of company-specific stakeholder dialogs and materiality analysis.

Governance

Each subsidiary has a Sustainability Manager that reports directly to the company's CEO. Based on Group-wide long-term goals and policies, and subsidiaries' specific materiality analyses, they are responsible for establishing and implementing sustainability strategies. They also follow up the outcome of the company's sustainability indicators, challenges and opportunities. Once yearly, this work is reported in a Group-wide Sustainability Report that is presented to management and the Board.

Employees

Employees - RNB's most valuable resource

RNB's operations are based on talented employees. It is our staff that interacts with customers every day in our stores and that improve operations in RNB's offices. This means that it is critical to create workplaces where staff are able to thrive, progress and feel that their expertise makes a difference. In total, RNB has 750 employees, throughout our stores and offices in Sweden, Norway, Finland, and Hong Kong. Our corporate culture is the foundation. At RNB, we have core values and leadership guidelines that serve as the foundation of our organizational culture and provide the building blocks for a collaborative climate. The core values describe and summarize how we at RNB should relate to one another in our day-to-day interactions and when decisions are made. The core values serve as tools for reaching our operational goals.

RNB's core values are:

- We believe in people
- Direct communication
- The customer is most important
- We do sustainable and smart business

The leadership guidelines represent a development of the core values and define the expectations we have on managers and leaders in RNB. Because an absolute majority of our staff are employed in the relevant subsidiaries and not in the Parent Company, the subsidiaries have produced their own core values based on the Group-wide core values.

Collective agreements

All the subsidiaries in RNB are affiliated with trade unions. All employees' in Sweden are covered by collective agreements between the Swedish Trade Federation and the various Swedish trade unions. The four collective agreements are the Swedish Trade Federation the Swedish Retail Sector's trade union agreement which covers all sales staff in stores, the Swedish Retail Sector's wholesale trade union agreement which covers warehouse staff, Unionen's service sector trade union agreement covering salaried employees in retail, and Unionen's graduate association collective agreement for employees working at head office.

Equal opportunities and diversity

For RNB, diversity means that all employees have equal value and enjoy the same opportunities and rights. This applies regardless of gender, transgender identity or expression, ethnic origin, religion or creed, functional impairments, sexual orientation or age. The goal is to create an inclusive and non-discriminatory organization.

Equal opportunities is not an isolated area or problem, and salary differences, parental leave and career opportunities are all connected. In order to influence equal opportunities in one of these areas, the subsidiaries need to take into account that they are an integrated whole where the various parts influence each other, directly or indirectly.

The organization in numbers

The average number of employees totaled 757 (992) in the period, of which 294 (369) in Departments & Stores, 180 (244) in Brothers and 274 (355) in Polarn O. Pyret. During the year, RNB had employees in five countries working in production, marketing, sales and various support functions.

Brothers vision for sustainability:

We take a sustainable approach to everything we do

Brothers applies a sustainable approach to all areas of operation and takes responsibility for the impact the operations have on the environment and humans. Brothers' customers should feel secure in the knowledge that items bought from Brothers satisfy high standards of quality and safety. Brothers' sustainability work is a continuous process that reflects developments in the sustainability area as a whole, and will become an integral part of Brother's DNA in the future.

Brothers has divided its sustainability strategy into four focus areas

Reduce the impact of products - Brothers uses different fibers and materials to develop its fashion ranges and create the products that customers demand. The choice of materials affects the appearance, quality, function, feel and fit of items. The production of textile materials uses natural resources and impacts the environment in various ways. Today, 58 percent of products are produced using sustainable materials, and 82 percent of the cotton used is made from sustainable fibers. Shifting to materials that are produced using sustainable fibers, reduces the use of chemicals, water and energy, and creates better conditions for growers and others working in fiber production.

Sustainable value chain - Brothers does not own factories, and production of own brands takes place through 30 suppliers. The supply chain consists of close relationships with selected suppliers to optimize inspection of production facilities and minimize risk. Brothers' production offices in Hong Kong play a key role in this work, as 83 percent of suppliers are located in Asia. Inspections and follow-ups are key areas in Brothers' supply-chain work aimed at protecting human rights and ensuring decent working conditions, safe workplaces and effective environmental initiatives. Brothers pursues improved transparency in the production chain and collaborates

with other operators through Amfori BSCI. The factories where Brothers production takes place are inspected by external parties, and internally, in order to manage risks in a structured manner. Over the past three years, the number of inspections increased by 37 percent.

Taking the necessary measures to reduce greenhouse gas emissions is imperative, and Brothers' operations, from the raw materials to the finished garment, has the biggest climate impact and each link of the production chain needs to be involved in this work. A strategic approach to transports is important to ensure sustainable transport and reduce climate impact. Brothers aims to decrease its total climate footprint by 30 percent by 2030.

Responsible business - Brothers' head offices, stores where Brothers has direct contracts with energy providers, and some stores where electricity contracts are owned by the landlord, all use 100 percent renewable electricity, which reduces the environmental impact. Brothers charges for bags to reduce the number of carrier bags consumed per person and year. All plastic bags are now made with more sustainable materials made from oyster shells and recycled plastic. Oyster shells are derived from renewable resources, and using more sustainable materials helps to reduce the environmental impact. Brothers uses recycling systems in its offices and stores to reduce the overall environmental impact.

Extended life span – A longer product life span reduces the climate impact. This means that garment care is an important part of the work of extending the life span of garments and educating customers. Brothers works to quality assure products, thereby reducing the number of returns. Brothers collaborates with Human Bridge for its customer returns, and collected 414 kg of textiles in the year. By donating clothes to people in need, Brothers contributes to making clothing consumption more circular. During the year, no products were recalled due to unsatisfactory quality or safety failings.

The following sustainability indicators drive the work in the four focus areas

KPI	Timeline	Status
100% sustainable and recycled cotton	2025	82%
100% sustainable and recycled fibers	2030	58%
100% recycled materials in product packaging and labels	2030	Baseline 20/21
100% of sewing factories receiving orders must have valid third party inspections	2020	100%
30% reduction in greenhouse gases in scope 3	2030	Baseline 20/21
50% reduction in greenhouse gases in scope 1 and 2	2030	-41%, Baseline 17/18
100% recycled materials in bags and packaging	2030	Baseline 20/21
100% of Brothers' stores to offer repair services	2023	Baseline 20/21
100% of Brothers' stores to receive products for recycling and reuse	2025	Baseline 20/21

Challenges and opportunities

2020 was a special year for many companies and the ongoing pandemic has had a significant impact on the retail industry. For Brothers, this meant that operations entered into corporate restructuring in March 2020. The pandemic has affected the entire value chain, and production units have been closed down periodically in many areas to reduce the spread of infection. In such times, it is more important than ever to work collaboratively to ensure successful sustainability initiatives. Transparency ensures more open communication with stakeholders regarding challenges, and helps to direct the work to where the impact is the greatest, so that Brothers' sustainability targets can be achieved.

Changes to the clothing range has led to collaborations with new suppliers where implementation and education has been a major focus in order to ensure effective partnerships. Brothers' climate impact has been reviewed and charted, and goals and action plans have been produced to determine the company's sustainability work looking ahead. Challenges have been identified relating to data collection. This has highlighted opportunities to improve working methods and develop Brothers' products.

Focus on the future

Brothers' goal is to continue to work on the strategy, incorporate sustainability in Brothers' DNA and reach the goals for all focus areas by 2030 at the latest. To achieve these goals, Brothers needs to actively pursue its sustainability work and implement new activities to reduce the company's environmental impact. During the year, Brothers' operations have changed, and now has a different format. Operations are better equipped for the future on a changeable market. Looking ahead, the company is a new Brothers that faces new challenges, but mainly new and exciting opportunities. Do you want to find out more about Brothers' sustainability work? Read more at https://www.brothers.se/hallbarhet.

Departments & Stores works closely with NK on sustainability

For Departments & Stores, it is important to work closely with NK on sustainability. NK is the collaboration partner, but is also the party that determines the requirements through the NK standard, which stipulates the conditions applying to goods sold through NK. The CSR agreements suppliers are required to follow are based on NK's standards which place demands on all NK's and Departments & Stores' suppliers. This creates a good foundation for a responsible value chain. At the same time, Departments & Stores seeks to curate its offering and develops its own definition of sustainable products. Departments & Stores' standard serves as a guideline for the brands included in the company. For example, it contains guidelines regarding social conditions, regulation of hazardous chemicals and documentation relating to origin and fur. Departments & Stores' long-term target is that the department store will gradually offer an increased selection of better products. In 2021, Departments & Stores will open its first in-store department for second hand sales in the premium and luxury segment at NK.

Departments & Stores has divided its sustainability strategy into four focus areas.

Sustainable business - a high-quality premium range is sustainable
Departments & Stores premium range of clothing, bags and shoes etc. has premium brand status and is of high quality. This forms the foundation of Departments & Stores' purchasing strategy. The products maintain the highest standards in terms of materials and construction. This ensures that each product can be used for many years, and that it retains a high second hand value as a result of its brand status. That is sustainable business.

Sustainable business - contractual demands on suppliers
Departments & Stores demands that suppliers comply with the rules and requirements specified by NK and Departments & Stores regarding sustainable production. Demands shall be made regarding chemicals, biocides, packaging and animal welfare.

The environment and climate change - reduced use of resources and greenhouse gas emissions
Departments & Stores works alongside NK to reduce the environmental footprint by reducing electricity consumption, and the electricity used is primarily green electricity from renewable resources such as biofuels, wind and hydroelectric plants. Electricity consumption is minimized by using energy efficient lighting. Business travel mainly takes place through public transport by train or bus.

Working conditions in production - contactual demands on a good working environment
All Departments & Stores' suppliers must guarantee, through agreements, that their products are produced in compliance with international regulations. Factories shall provide good working conditions for their employees, who shall have good terms of employment and a safe, secure and healthy working environment.

The following sustainability indicators drive the work in the four focus areas

KPI	Timeline	Status
90% CSR agreements with suppliers	2023	72%
90% supplier certification for sustainable merino wool, fur and down	2025	40%
60% proportion of departments with low energy lighting	2025	13%

Challenges and opportunities

For Departments & Stores, the past year has largely been about getting through the restructuring the company was forced into as a result of the Covid-19 pandemic. Despite this, a number of construction projects have been completed, including relocalization of store spaces and brands. As a result of the restructuring, a large number of supplier agreements have been renegotiated. One positive effect is that more agreements now include updated CSR agreements. Alongside NK, Departments & Stores regularly updates and follows up demands and standards with their partners to ensure that production processes satisfy Departments & Stores and NK's demands on transparency, working conditions and environmental impact. Departments & Stores strives for continuous improvements including follow-up and control. This is where Departments & Stores' challenges lie over the coming years.

Focus on the future - a sustainable offering
Departments & Stores places considerable significance on sustainability issues and works alongside NK to reduce the environmental footprint and increase customer awareness. With regard to sustainability, increased customer and supplier engagement is also apparent in the premium segments. Departments & Stores wants to enhance the benefits of the premium and luxury segments, with their high quality and second hand value, and is launching its first second hand concept during the coming year. The refurbishment projects currently underway include replacing old lighting with new energy efficient alternatives, which reduces the climate footprint of operations.

More information about NK's sustainability work can be found at NK.se.

https://www.nk.se/varuhusen/om-oss/vart-hallbarhet-sarbete

POLARN O. PYRET

Polarn O. Pyret's sustainability vision:

To make the children's clothing market more sustainable

Polarn O. Pyret always proceeds from the needs of our children. Since our origins in 1976, we have been committed to making high-quality clothes that last a long time, so they can be worn by as many children as possible. Comfortable clothes that are durable and have features to make them last. This means that our customers do not need to buy more new garments than necessary, which conserves our planet's dwindling resources.

Polarn O. Pyret has divided its sustainability strategy into four focus areas

Sustainable business

Sustainable quality products at attractive prices is the foundation of sustainable business. By this we mean that the right price for the right product is a key requirement for Polarn O. Pyret to be attractive to our customers – and to exist as a company. This sets the framework for Polarn O. Pyret's sustainability strategy, which means that Polarn O. Pyret must develop and produce products in accordance with quality and sustainability requirements, at an attractive customer price. Transparent and clear communication is key to increasing customer awareness of our brand's sustainable offering to position ourselves as a leading sustainable alternative in children's clothing. This creates conditions for reduced discounting, improved profitability and increased market shares.

Leading offer of sustainable products

Polarn O. Pyret wants to have a leading position in longevity and sustainable materials. A garment with a long lifespan reduces the need to buy more clothes over time. This means less carbon dioxide emissions, less waste, and reduced use of resources. Research studies show that if we can increase the practical lifespan of a garment by a factor of 3, we reduce the climate impact by 65% and the use of fresh water by 66%. Polarn O. Pyret's most important task is therefore to offer products of high quality and with a long lifespan, where each product is produced for its specific area of use. Polarn O. Pyret's goal is three children for each garment. This means that our goal is that our clothes can be worn by at least three children in succession. Garments made of more sustainable fibers have a more sustainable footprint – this may involve less water and chemical consumption, preserved biodiversity, improved animal welfare, conservation of our planet's resources or fewer greenhouse gas emissions. Polarn O. Pyret's goal is for all our garments to be made of more sustainable fibers, meaning materials that last longer, and that have less impact on humans and the environment.

Reduced usage of resources and greenhouse gas emissions

The clothing industry is one of the most polluting industries in the world. The industry's focus on rapidly changing trends leads to a huge overproduction of clothing. Polarn O. Pyret wants to reduce the number of garments the company manufactures. This means fewer new season products, and a larger proportion of beloved classics. This means that Polarn O. Pyret increasingly produces only what is in demand. Polarn O. Pyret's goal is to reduce its greenhouse gas emissions – our climate footprint – by at least 30% by 2030. And we aim to be climate neutral by 2045. By basing all product development on more resource-efficient production processes, Polarn O. Pyret can significantly reduce the utilization of resources in production. Polarn O. Pyret aims to chart energy use in the supply chain and set targets for renewable energy use alongside other sector operators and suppliers. The energy used in Polarn O. Pyret's stores must be derived from renewable sources and energy use must decrease. This also applies to different services such as energy use in warehouses, distribution of goods and business travel.

Respect and protect human rights in the supply chain

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Everyone is entitled to these rights, without discrimination. In a global marketplace, supply chains are becoming increasingly complex and there is a risk that human rights become subject to infringements. Polarn O. Pyret believes that it is now more necessary than ever for companies to improve transparency relating to production – and to drive improvements across the supply chain wherever possible. Polarn O. Pyret works on human rights issues in collaboration with other operators within the context of Amfori BSCI, through collective values and principles, by charting the supply chain, controls, measures, training and whistle blower systems. All employees shall be able to live off their wages. Polarn O. Pyret pursues these issues through Amfori BSCI, with the aim that all workers and their families are able to break out of poverty and become able to live decent lives.

The following sustainability indicators drive the work in the four focus areas

KPI	Timeline	Status
7% Share of wallet for outerwear	2022	5%
9% Share of wallet for babywear	2022	7%
No 1, Differ's "Sweden's Greenest Brand", in the category "Clothes"	Ongoing	1
No 3, Sustainable Brand Index, in the category "Clothes & Fashion - Stores"	Ongoing	4
60% of customers use the products for 3 or more children	2020	54%
<0,1% Customer claims of products sold (pcs)	Ongoing	0.15%, AW19
100% of the clothing range produced with certified sustainable fibers	2025	75%
100% of the range produced using the best available chemicals	2025	43 %
Zero tolerance on number of product recalls	Ongoing	0
50% decrease of number of pcs going on sale	AW20	AW19 vs. AW18: -33%
		SS20 vs. SS19: -25%
Minimum 30% reduction in greenhouse gases in scope 3	2030	Baseline 20/21
Climate neutral scope 1 & 2	2030	-30%, Baseline 17/18
Climate neutral scope 1, 2 & 3	2045	Baseline 20/21
100% of renewable electricity where PO.P responsible for electricity agreement	2020	100%
30% decrease in electricity usage (Mwh) in ownoperations	2021	-36%, Baseline 17/18
30%-75% decrease of water, energy and chemical usage in PO.P wet processes for "weather pro" outerwear and fleece	2025	Baseline 2021
Zero tolerance policy for number of air transports	2020	22
50% decrease in number of business trips by air	2020	-69%, Baseline 18/19
100% of production units in tier 1 with 3rd party valid social audit reports	2021	72 %
15% production units in tier 1 with overall improvedrating since previous audit	Ongoing	21%
80% of range produced in factories (Tier 1) that have implemented best practice relating to reasonable wages in accordance with BSCI or SA8000.	2022	83%

Challenges and opportunities

Polarn O. Pyret has experienced a year of multiple crises. The climate crisis has become increasingly tangible and drastic measures are needed to reach the Paris Agreement and ensure sustainable operations in the long term. The pandemic has shifted the collective focus to protecting human health globally and has caused changes to consumption patterns and shut-downs of production. This has in turn led to an economic crisis that has generated dramatic cost control and reduced resources in areas including sustainability. Before the beginning of the year, Polarn O. Pyret had defined its sustainability strategy, and the objectives still stand, although the action plans have been adjusted over time. Nevertheless, we achieved some major successes. Before the beginning of the year, Polarn O. Pyret introduced Second Hand sales in all stores, and more than 80% of the stock was sold in the first 4 weeks. 100% of the cotton sourced this year was certified organic, and 55% of that volume was GOTS-certified. End-of-season sales were down by 23%-33% and the proportion of carry-over styles increased by 39%, which reduced both surplus production and the climate impact. Working conditions in the factories continued to improve. 82% of all factory inspections in the year achieved very good or good results. Transparency increased as Polarn O. Pyret's supplier list, including supplier status, is public. Production data for all products is specified on e-com.

Focus on the future

The past year has generated changed consumption patterns, which are more needs-based and focused on sustainability. This is in line with the changes to the product ranges Polarn O. Pyret has already made, a higher share of renewable fibers, increased transparency and more circular services. This provides good conditions to realize the vision of making the children's clothing market more sustainable. Do you want to find out more about Polarn O. Pyret's sustainability work? Read more at https://www.polarnopyret.se/pop-cares.

Our core values

RNB is defined by four core values that make the company unique. The core values constitute the RNB Group's common foundation and describe the corporate culture and also firmly underpin our vision. The core values provide guidance to all employees in day-to-day operations, and clarify how we work, what we focus on and how we act in relation to others.

The customer is most important

- We are passionate about satisfying our customers through our products and our service
- We always focus on customer value in what we do, in how we act and in all decisions we make
- We strive for a world-class shopping experience and to exceed the paying customer's expectations every time

We do sustainable and smart business

- We invest our time and money where it has the most benefit
- We work on the basis of a long-term approach and sustainability in all relations—with our customers, suppliers and the environment
- We operate sustainably and with business acumen in all situations

We believe in people

- We believe in the strength and potential of people
- We take responsible initiatives on our own and learn from each other
- We show loyalty to one another and set a good example
- By working together, we strengthen each other

Direct communication

- We say what we feel and think—providing constructive, well-reasoned and considerate communication
- We listen to each other, are open to feedback and the opinions of others
- Even if decisions go against what we have said and think, we are loyal to decisions taken
- We talk with each other and not about each other

Financial Statements

Director's Report 2019/2020

The Board of Directors and CEO of RNB RETAIL AND BRANDS AB (publ), Corp. ID no. 556495– 4682, hereby submit the annual accounts and Consolidated Financial Statements for the financial year September 1, 2019 – August 31, 2020.

Operations, business concept and strategy
RNB RETAIL AND BRANDS owns, operates and develops stores and e-commerce in fashion wear, clothing, accessories, jewelry and cosmetics. The focus is on providing excellent service and a world-class shopping experience. Sales are conducted through the store concepts Brothers, Man of a kind and Polarn O. Pyret. The Department and Stores business area operates stores in the NK department stores in Stockholm and Gothenburg. At the end of the financial year, the Group and franchisees had 173 stores and 18 e-commerce trading platforms in eleven countries.

RNB RETAIL AND BRANDS business concept is develop and distribute brands through active ownership and distinct concepts and stores that offer an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics with excellent service and a world-class shopping experience. The starting point for RNB's strategy is to operate through four clearly positioned and differentiated store concepts aimed at the respective target groups. The concepts are characterized by inspiring stores, excellent service with a pronounced digital presence, accessibility and attractive fashion ranges. Sales are conducted in large cities, smaller towns and shopping centers and through e-commerce operations. All aspects of operations are carried out on the basis of achieving clear and long-term sustainability.

The Brothers business area is a menswear fashion retailer and the number one destination when it comes to a smart and casual way of dressing, for all men no matter the occasion. Departments & Stores offers paying customers an international product mix in an inspiring environment with world class service. Man of a kind is the new online destination for exclusive men's fashion through its carefully selected premium clothing range. Polarn O. Pyret is driven by a devotion to children and provides the most relevant and attractive product range in the children's wear quality segment. The production facility in Hong Kong sources supplier contacts, carries out production and monitors shipments, and has a key role in terms of quality control and sustainability.

Events in the financial year
The year was characterized by Covid-19 and corporate restructuring. At the beginning of March, sales decreased sharply due to the restrictions introduced in many countries. The consequence of this, and declining sales earlier in the year, was that the three Swedish subsidiaries filed for corporate restructuring at the end of March. A subsidiary in Norway filed for corporate restructuring in May.

The aim of the restructuring was to ensure that operations were in better shape and more well-equipped to face the future. This has given the companies the opportunity to close loss-making factories earlier than planned and cut back premises, staff and other costs.

Proposed arrangements with creditors were presented to Stockholm District Court on July 1. The proposal involved an initial payment of SEK 10,000 and 25 percent of the remainder to the companies' non-preferential creditors, implying a write-down of 75 percent.

Departments & Stores Europe AB prepared a Balance Sheet for liquidation purposes as of July 31, 2020. The Balance Sheet showed that equity had been reinstated. Brothers AB prepared a Balance Sheet for liquidation purposes as of August 31, 2020. The Balance Sheet showed that equity had been reinstated.

Events after the end of the financial year
Negotiations relating to the proposed arrangements with creditors were held in mid-October. The District Court approved the proposed arrangements with creditors on the same date and the arrangements became legally binding on November 6, 2020. The restructuring of all three Swedish subsidiaries was concluded on the same date. The restructuring of the Norwegian subsidiary was concluded at the end of September. The benefits from the arrangements with creditors arising in the first quarter of the financial year 2020/21 are estimated to be in excess of SEK 200 M.

Market
According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -12.1 percent (-2.2) in the period. RNB's sales in comparable stores in Sweden decreased by 20.4 percent in the same period. Sales on all national markets decreased by -20.2% expressed in SEK.

Net sales and earnings
Consolidated net sales totaled SEK 1,784 M (2,267) in the period. The business area Man of a kind increased its net sales. The three Business areas with e-commerce platforms all experienced continued significant sales growth in online sales in the period, and totaled 27 percent of the business area's net sales. The Group's gross margin decreased to 47.5 percent (49.1) in the period, with the business area Man of a kind delivering higher margins. Margins decreased in the three other business areas, due to more campaigns and increased discounting in the period. Total expenses decreased in year-on-year terms. This was due to the rationalizations carried out, mainly during the corporate restructuring. Restructuring expenses for the work associated with making the business areas independent, which was completed in February 2020, affected the financial year by SEK 12 M. The costs are reported under other external expenses and personnel expenses. Goodwill attributable to the Brothers business area was impaired by SEK -43 M (0) and goodwill attributable to Departments & Stores was impaired by SEK -141 M (-65) in the third quarter after impairment testing. Operating income amounted to SEK -341 M (-110) with an operating margin of -19.1 percent (-4.9). Operating income adjusted for IFRS 16 and goodwill impairment was SEK -191 M (-45). Net financial items totaled SEK -93 M (-32), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK 0 M (-3). Profit after tax amounted to SEK -435 M (-142). Earnings per share decreased to SEK -5.21 (-4.20).

Business area progress in the financial year
Brothers business area
Net sales in the Brothers business area totaled SEK 364 M (539). Sales in comparable stores in Sweden decreased by -24.3 percent expressed in SEK. E-commerce sales increased in the period while store sales decreased. Net sales from wholesale stores were down in the period compared to the previous year, due to a decrease in the number of franchise stores and lower sales due to the Covid-19 pandemic. The number of visitors in comparable physical stores decreased significantly due to the Covid-19 pandemic. In e-commerce, visitor numbers increased during the year and the conversion rate was higher. Gross profit margin for the business area was marginally lower in the year, mainly due to increased discounting. Total costs were lower in the period, where rent and personnel costs represented the largest cost saving efficiency. Operating income was SEK -116 M (-12) in the financial year. Inventories decreased in the year, and were lower at the end of the year in year-on-year terms. During the year, 17 proprietary stores and one e-commerce store were closed, as well as six franchise stores. One franchise store was taken over.

Departments & Stores business area
Net sales in the Departments & Stores business area was SEK 739 M (920), a decrease of -19.6 percent. Visitor numbers in our stores in the two department stores were lower in the year, with losses attributable

to quarters three and four due to the Covid-19 pandemic. Average spend per customer and conversion rate both increased in the period. Gross margin was lower in the financial year. Operating costs were lower in year-on-year terms due to the implemented rationalizations. Goodwill related to Departments & Stores was impaired by SEK -141 M (-65) in the third quarter, after an impairment test was carried out. Operating income was SEK -175 M (-48). Operating income amounted to SEK -51 M (17), excluding IFRS 16 effects and goodwill impairment, with an operating margin of -6.8 percent (1.8). Business area inventories were lower and with an improved mix at the end of the period compared to the previous year. The refurbishment of the department stores continued but has been delayed as a result of the Covid-19 outbreak. In the period, the business area opened in-store operations such as NK Details in Stockholm and Gothenburg. NK Male Grooming in Stockholm relocated to a different floor. A piercing studio opened on the ground floor in Stockholm, with the Swedish jewelery brand Ennui Atelier and NK Hair Bar. In Stockholm, NK Luxury Corner is currently operating in a temporary store space. The Hugo Boss and Boss stores have been completed and opened, and Byredo opened its regular store on the ground floor.

Man of a kind business area
Net sales in the Man of a kind business area were SEK 25 M (24). Visitor numbers increased year-on-year and average order value increased. Gross margin was higher year-on-year as a result of the full price strategy for most of the year, new ranges and brands. Operating income was SEK -3 M (-14). Operating income was SEK -3 M (-14), excluding IFRS 16. Man of a kind's inventories are included in Departments & Stores' inventories. Some of the brands Man of a kind offers online are exclusive to Man of a kind in Sweden, i.e. the brands are not available online through any other retailer.

Polarn O. Pyret business area Net sales
totaled SEK 656 M (784) in the period. Sales for comparable proprietary stores on all national markets decreased by -10.8 percent year-on-year, expressed in SEK. The total number of paying customers in comparable stores was down on the previous year. The in-store conversion rate decreased and average spend per customer increased. In e-commerce, the number of visitors and the conversion rate increased, with a marginally lower average spend per customer. Gross margin in the year was marginally down year-on-year as a result of more discounting and campaigns. Operating expenses were down in year-on-year terms. Operating income was SEK -22 M (20). Operating income, excluding IFRS 16 effects, amounted to SEK -28 M (20) with an operating margin of -4.3 percent (2.5). Business area inventories were down at the end of the year in year-on-year terms, due to slightly lower purchasing and several successful sales campaigns. The inventory product mix also improved. In the period, 30 proprietary stores closed and one in-house e-commerce store opened. Two master franchise e-commerce stores were closed an one opened. Eleven franchise stores closed and two were opened. The company also started to conduct sales through two new external e-commerce sites.

Parent Company
Parent Company net sales were SEK 41 (103) M. Profit/loss after net financial items was SEK -253 (-35) M. Investments totaled SEK 2 (22) M. The Parent Company has receivables due from the subsidiaries. Estimated losses from arrangements with creditors on these receivables were recognized in the third quarter. In the financial year, the value of shares in subsidiaries was impaired by SEK -49 M (50).

Financial position and liquidity
The Group's total assets amounted to SEK 1,736 M, compared to SEK 1,112 M at the end of the previous financial year. The increase was due to the Group's rental commitments being recognized in the Balance Sheet in accordance with IFRS 16, which was not applied in the previous year. At the end of the period, the Group's equity was SEK -133 M, compared to SEK 235 M at the end of the previous financial year, providing an equity/assets ratio of -7.6 percent (21.1). As of August 31, inventories totaled SEK 379 M, compared to SEK 458 M at the end of the previous financial year. Cash flow from changes in working capital was positive at SEK 223 M (71), mainly due to lower inventories. Cash flow from operating activities was SEK 243 M (49) in the year. After investments, cash flow was SEK 215 M (-7). Net debt increased to SEK 1,159 M, compared to SEK 442 M at the end of the previous financial year. Excluding the IFRS 16 effect, net debt decreased to 334 M (442). The corporate bond with a nominal amount of SEK 400 M is the Group's largest liability and originates from the acquisition of JC in 2006.

Investments and depreciation/amortization
Investments in the period totaled SEK 24 M (61). Depreciation/amortization totaled SEK -488 M (-112), of which SEK -184 M (-65) related to goodwill impairment and SEK -263 M related to IFRS 16.

Employees
The average number of employees was 757 (992) in the year. RNB has employees in five countries working in production, marketing, sales and various support functions. The company's success is based on offering high service levels in stores and shared core values that reflect our corporate culture.

RNB's core values
- The customer is most important
- We do sustainable and smart business
- We believe in people
- Direct communication

RNB actively engages with its core values and leadership guidelines. RNB's leadership guidelines provide direction for managers and information to staff about what they can expect from their managers. Our HR policy is based on mutual responsibility, and states what the company can offer its employees and also what we expect from our staff. RNB believes that a strong reputation as an employer attracts staff that are able to build a strong company that returns growth and stays successful. The organization is culturally diverse and incorporates international experience, and operates in an open and flexible working environment that is adaptable to change.

RNB is affiliated to employer organization Svensk Handel (the Swedish Trade Federation) and is party to collective agreements with trade unions Unionen and Handelsanställdas förbund.

Transactions with related parties
There were no transactions in the financial year between the RNB Group and related parties that materially impacted the Group's financial position and results of operations. For more information on transactions with related parties, see Note 35.

Tax paid
During the financial year, the Group paid tax totaling SEK 0 M (0). As the company has non-capitalized loss carry-forwards of SEK 947 M at the end of the previous financial year, tax expenses are expected to remain low.

Risks and uncertainties
RNB is exposed to a number of risk factors that are wholly or partly outside the company's control, but which could affect the Group's earnings and operations.

Financial risks
- Financing risk relating to the Group's borrowing.
- Currency risk in fair value terms and future cash flow where the estimated highest risk is attributable to goods purchased in foreign currency
- Interest-rate exposure associated with the Group's net debt.
- Liquidity risk associated with the Group's financial liabilities

The Parent Company's credit limit of SEK 110 M was extended by three months and runs until December 20, 2020. The corporate bond with a nominal amount of SEK 400 M runs until February 2023. As a result of the corporate restructuring, certain bond terms have been breached and, accordingly, interest has not been paid since March 2020 and has been expensed. This does not affect maturity. See more in Note 23.

Operational risks

- Demand for RNB's products, like general demand in the retail sector, is affected by changes in overall market conditions, consumer behavior and weather patterns.
- Competition from existing and new operators active in RNB's segments.
- Identifying continuously shifting fashion trends and customer preferences.
- Covid-19 will continue to negatively affect sales and profit, although it is difficult to assess the extent and duration of this
- Four of the Group's subsidiaries have undergone restructuring, which implies increased risk in several areas for these subsidiaries and the Group.

These risks are described in more detail in Notes 36 and 38.

Corporate Governance

RNB's Corporate Governance is effected through the Annual General Meeting, the Board of Directors and CEO in accordance with the Companies Act and the company's Articles of Association and the Swedish Code of Corporate Governance. The company's Corporate Governance Report can be found on pages 82-89.

Board work

After the Annual General Meeting in December 2019, RNB's Board of Directors consisted of three members. The AGM appoints the Board for the period until the next AGM is held. The company's Articles of Association do not include any provisions on the appointment or dismissal of Board members. RNB's Board of Directors is governed by formal Rules of Procedure in compliance with the Swedish Companies Act with respect to the division of duties and reporting. The formal Rules of Procedure govern Board meetings, issues to be addressed at Board meetings, the Chairman's duties, the CEO's duties and certain other matters. The Board includes a Remuneration Committee and an Audit Committee. In addition to the statutory meeting, the Board of Directors held five scheduled Board meetings and eighteen extraordinary meetings during the financial year. The regular meetings were primarily devoted to earnings follow-ups, investment matters, external reporting, budgets and strategy issues.

Nomination Committee

The Nomination Committee's duties include preparing and submitting proposals to shareholders regarding election of Board members and, when applicable, auditors.

The Chairman of the Board shall annually, and no later than in connection with publication of the company's Interim Report for the third quarter, convene the four largest shareholders in the company. They then appoint one member each to the Nomination Committee. The Chairman of the Board is co-opted to the Nomination Committee, but not as Chairman. The Chairman of the Board shall also ensure that information about the composition of the Nomination Committee, with contact information, is published well in advance of the AGM. The Chairman of the Board also reports to the Nomination Committee regarding the conditions for the Board's work and specific competences that may be important for the Nomination Committee's work. Shareholders are able to submit proposals to the Nomination Committee for further evaluation.

The Nomination Committee holds meetings as necessary, but at least once per year. Prior to the AGM 2020, members of the Nomination Committee were appointed in accordance with the resolution of the AGM. The Nomination Committee consists of Lars Ericsson, President of Konsumentföreningen Stockholm, Fredrik Carlsson and Conny Palmkvist.

Guidelines for remuneration to senior executives

The AGM on December 19, 2019 resolved on the following guidelines for remuneration and other terms of employment for management:

General principles

The Company is to offer market-based total remuneration that facilitates the recruitment, motivation and retention of executives. Total annual cash remuneration, i.e. basic salary plus variable salary shall be determined on the basis of competitive criteria. The remuneration shall also be based on position and performance.

The Board is entitled to diverge from the guidelines if the Board deems that it has specific reasons to justify such a divergence in an individual case.

Basic salary

The basic salary should reflect the individual's, responsibility, performance and competence.

Variable salary

Variable salary is primarily related to the outcome of the subsidiaries and the Group's operating income and cash flow against established targets. The performance goals are set each financial year by the Board. Variable salary may not exceed 40% of annual basic salary.

Pension

Pension should be fee based in accordance with the ITP-plan or equivalent. The standard retirement age is 65– 67.

Notice period etc.

The notice period for executives is six months, and for RNB to give notice to an executive the notice period is 6-12 months. The CEO has a notice period of 12 months if termination is initiated by the company. Unchanged salary is paid during the notice period.

Other remuneration and benefits, for example health insurance are to be market-based and contribute to facilitating the employee's ability to complete his/her assignments.

Ahead of the AGM to be held on December 22, 2020, in line with new regulations the Board proposes that the principles for remuneration to senior executives are designed to clearly contribute to the company's business strategy, long-term interests and sustainability. The details of these guidelines can be found in the Notice convening the AGM.

Agreements with clauses regarding ownership structure

In the event of changes to the company's ownership structure that would involve a change of control, or in the event that RNB is delisted from Nasdaq Stockholm, this triggers a clause in the company's bond loan agreement that entitles bondholders to request redemption of the bond plus accrued interest.

Ownership

As of August 31, 2020, RNB had 7,389 shareholders. As of August 31, 2020, The three largest shareholders were Konsumentföreningen Stockholm (41.1% of the share capital/votes), Novobis AB (11.8%) and Nordnet Pensionsförsäkring AB (4.0%). Other than Konsumentföreningen Stockholm and Novobis AB, no shareholder, directly or indirectly, holds more than 10 percent of the shares in RNB RETAIL AND BRANDS AB (publ) as of August 31, 2020. The number of shares in the company on August 31, 2020 was 101,736 528, which were all common shares with a quotient value of SEK 0.3 each. Each share carries one vote at the AGM and all shares have an equal right to a share in the company's assets and profits. There is no stipulation in the Articles of Association that limits the number of votes that can be cast by each shareholder at the Annual General Meeting or shareholders' meetings, nor is there any stipulation restricting share transfers. Further information is available in the section the RNB share on pages 90- 91.

Expected future progress
Corporate restructuring was carried out in all business areas during the financial year. This gave the companies the opportunity to close loss-making stores earlier than planned, and cut back on premises, staff and other costs. There is considerable potential for continued sales growth through e-commerce in all areas of operation. Overall, the right conditions are in place to achieve positive profit growth in the financial year 2020/2021. However, this is heavily dependent on the progress of Covid-19.

Assessment of going concern
The Board and CEO continuously monitor Group liquidity and financial resources in the short and long term. This Annual report has been prepared on the basis of the assumption that the company has the ability to continue operations for the coming 12-month period, on a going concern basis. This assumption is based on RNB Retail and Brands AB and its subsidiaries having implemented forceful measures to strengthen the financial position since March.

The corporate restructuring of the subsidiaries was approved in March 2020. The proposed arrangements with creditors gained legal force on November 6, 2020. These arrangements confer benefits in the first quarter 2020/2021 that will strengthen the subsidiaries' financial position. The significant negative effect of Covid-19 on clothing sales since March has led to decreased sales revenue. This means that the Group remains dependent on external loan financing from banks. The Group's bank extended the credit limit of SEK 110 M for the period October 1 - December 20, 2020. The Group's liquidity forecast assumes that the current credit limit from the bank remains unchanged.

Accordingly, in the Board's and CEO's assessment, provided that the changes implemented generate cash flow as planned, and that the bank credit limit remains unchanged, and that no interest is paid on the bond loan, the Group is expected to have sufficient liquidity and cash flow for continued operations in the coming 12-month period.

Should the above conditions not be satisfied, there is a significant risk to the Group's continued operations.

Dividend
The Board of Directors proposes that no dividend be paid.

Proposed distribution of earnings

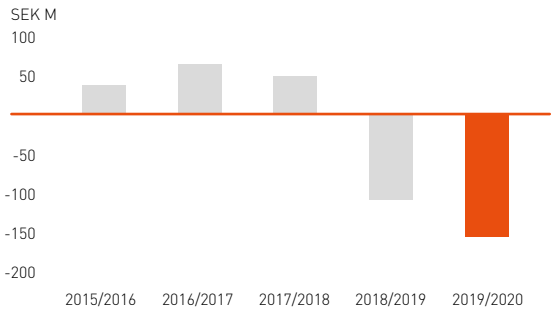
The following funds are at the disposal of the Annual General Meeting, SEK:	**Aug 31, 20**	Aug 31, 19
Retained earnings	268,495,379	55,654,950
Net income for the year	-253,454,843	-35,047,093
	15,040,536	**20,607,857**
The Board proposes that retained earnings be allocated as follows:		
Carried forward	15,040,536	20,607,857
	15,040,536	**20,607,857**

For more information about the company's earnings and financial position, refer to the Statement of Comprehensive Income, Income Statement and Balance Sheet with accompanying notes below. All amounts are in thousands of SEK (SEK 000s) unless otherwise stated.

Five-year summary

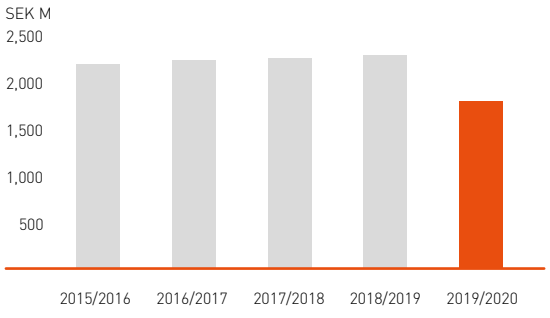
	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	Sep 18–Aug 19	**Sep 19–Aug 20**
Gross profit margin, %	50.3	50.6	49.9	49.1	47.5
EBIT margin, %	1.7	2.8	2.1	-4.9	-19.1
Equity/assets ratio, percent	29.3	30.3	31.8	21.1	-7.6
Capital employed, SEK M	726.6	739.0	834.1	657.7	936.8
Return on capital employed, %	5.2	8.9	8.4	-14.5	-42.5
Return on equity, %	8.2	9.2	10.0	-45.6	-848.6
Earnings per share, SEK	0.76	0.90	1.07	-4.20	-5.21

Operating result



Before goodwill impairment

Net sales



Consolidated Statement of Comprehensive Income

SEK 000	Note	**Sep 19- Aug 20**	Sep 18- Aug 19
Net sales	4	1,783,537	2,266,707
Other operating income	3,4,8	46,750	29,588
		1,830,287	**2,296,295**
Operating expenses			
Goods for resale	19	-935,640	-1,154,098
Other external expenses	7.30	-279,317	-570,405
Personnel expenses	6	-463,623	-570,200
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	12,13,15,30	-304,219	-46,740
Goodwill impairment	14	-184,000	-65,000
Share of associated company's profit/loss before tax			-11
Profit/loss from divestment of subsidiaries		-4,764	–
Operating income	4	**-341,276**	**-110,159**
Profit/loss from financial investments			
Interest income and similar profit/loss items		2,826	2,196
Interest expenses and similar profit/loss items	9	-95,809	-34,593
Profit/loss after financial items		**-434,259**	**-142,556**
Tax on net income for the year	10	-537	72
Profit/loss attributable to Parent Company shareholders		**-434,796**	**-142,484**
Other comprehensive income			
Other comprehensive income to be reclassified to net income in subsequent periods			
Cash flow hedges		4,855	15,241
Cash flow hedges reversed to earnings		-12,112	-28,413
Translation differences		-389	1,273
Tax attributable to items in other comprehensive income		–	–
Net income for the year		**-7,646**	**-11,899**
Comprehensive income for the year		**-442,442**	**-154,383**
Earnings per share before dilution (SEK)	11	-5.21	-4.20

Consolidated Balance Sheet

SEK 000	Note	**8/31/2020**	8/31/2019
ASSETS			
Non-current assets			
Intangible assets			
Software and other intellectual property	12	37,706	47,540
Rental rights	13	2,252	3,505
Goodwill	2,14	151,143	335,229
		191,101	**386,274**
Property, plant and equipment			
Equipment and store fittings	15	73,081	84,818
Right-of-use assets	30	772,772	–
		845,853	**84,818**
Financial non-current assets			
Holdings in associated companies	17	–	14
Non-current receivables	2,18,33	12,537	8,723
		12,537	**8,737**
Total non-current assets		**1,049,491**	**479,829**
Current assets			
Inventories			
Goods for resale	2,19	378,560	458,407
		378,560	**458,407**
Current receivables			
Trade receivables	2,38	29,782	42,336
Current tax assets		6,478	8,495
Other receivables	38	10,163	12,579
Derivative assets	34	–	7,256
Prepaid expenses and accrued income	20	100,130	92,413
		146,553	**163,079**
Cash and cash equivalents	21	161,128	10,649
Total current assets		**686,241**	**632,135**
TOTAL ASSETS	4	**1,735,732**	**1,111,964**

Consolidated Balance Sheet, cont'd.

SEK 000	Note	**8/31/2020**	8/31/2019
EQUITY AND LIABILITIES			
Shareholders' equity	22		
Share capital		30,521	203,473
Share premium reserve		2,294,706	2,240,118
Other reserves		-13,616	-5,970
Retained earnings		-2,009,342	-2,060,157
Net income for the year		-434,796	-142,484
Total equity		**-132,527**	**234,980**
Non-current liabilities			
Long-term lease liabilities	23,28,30,34,36	657,007	–
Deferred tax liabilities	10	0	0
Corporate bond	23,28,34,36	412,283	397,238
Other non-current liabilities	23,28,34,36	–	25,527
Total non-current liabilities		**1,069,290**	**422,765**
Current liabilities			
Current lease liabilities	23,28,30,34,36	168,014	–
Overdraft facility	24,28	61,469	32,903
Trade payables	25	227,974	215,193
Other liabilities	26	264,668	70,404
Derivative assets	34	–	–
Accrued expenses and deferred income	27	76,844	135,719
Total current liabilities		**798,969**	**454,219**
TOTAL EQUITY AND LIABILITIES		**1,735,732**	**1,111,964**

Total equity is attributable to the Parent company RETAIL AND BRANDS AB's shareholders.

Consolidated Changes in Shareholders' Equity

SEK 000	Share capital	Share premium	Reserve	Retained earnings	Net income for the year	**Total Shareholders' equity**
Shareholders' equity, August 31, 2018	**203,473**	**2,240,118**	**5,929**	**-2,096,607**	**36,450**	**389,363**
Transfer of previous year's profit/loss				36,450	-36,450	0
Net income for the year					*-142,484*	*-142,484*
Other comprehensive income						
Cash flow hedges			15,241			15,241
Cash flow hedges reversed to earnings			-28,413			-28,413
Translation differences			1,273			1,273
Comprehensive income for the year			*-11,899*	*0*	*-142,484*	*-154,383*
Transactions with shareholders						
Dividend				0		0
Transactions with shareholders for the year				*0*		*0*
Shareholders' equity, August 31, 2019	**203,473**	**2,240,118**	**-5,970**	**-2,060,157**	**-142,484**	**234,980**
Transfer of previous year's profit/loss				-142,484	142,484	0
Net income for the year					*-434,796*	*-434,796*
Other comprehensive income						
Cash flow hedges			4,855			4,855
Cash flow hedges reversed to earnings			-12,112			-12,112
Translation differences			-389			-389
Comprehensive income for the year			*-7,646*	*0*	*-434,796*	*-442,442*
Transactions with shareholders						
Share capital reduction	-193,299			193,299		0
Rights issue	20,347	64,415				84,762
Issue expenses		-9,827		0		-9,827
Transactions with shareholders for the year	*-172,952*	*54,588*		*193,299*		*74,935*
Shareholders' equity, August 31, 2020	**30,521**	**2,294,706**	**-13,616**	**-2,009,342**	**-434,796**	**-132,527**

Consolidated Statement of Cash Flow

SEK 000	Note	**Sep 19–Aug 20**	Sep 18–Aug 19
Operating activities			
Operating income		-341,276	-110,159
Interest received		1,337	2,196
Interest paid		-77,129	-29,702
Tax paid		0	0
Adjustments for items not included in cash flow	31	437,224	115,294
Cash flow from operating activities before change in working capital		**20,156**	**-22,371**
Cash flow from change in working capital			
Decrease (+)/increase (–) in inventories		64,200	40,294
Decrease (+)/increase (–) in current receivables		19,552	-3,536
Decrease (– increase (+) in current liabilities		139,420	34,350
Cash flow from operating activities		**243,328**	**48,737**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		-21,782	-60,617
Divestment of subsidiaries		-2,998	–
Divestment of associated companies		1,000	–
Investment of non-current receivables		-4,814	4,744
Cash flow from investing activities		**-28,594**	**-55,873**
Financing activities			
Increased utilization of overdraft facility		28,566	6,627
Decreased utilization of overdraft facility		–	–
Other debt raisings		20,000	–
Amortization of loans		20,000	–
Amortization of lease liabilities		-168,421	–
Rights issue		74,935	–
Cash flow from financing activities		**-64,920**	**6,627**
Cash flow for the year		**149,814**	**-509**
Cash and cash equivalents at beginning of year		10,649	11,263
Exchange rate difference in cash and cash equivalents		665	-105
Cash and cash equivalents at end of year	21	**161,128**	**10,649**

Parent Company Income Statement

SEK 000	Note	**Sep 19- Aug 20**	Sep 18- Aug 19
Net sales	35	41,027	103,495
Other operating income	8	155	4,814
		41,182	**108,309**
Operating expenses			
Other external expenses	7,30	-43,268	-88,554
Personnel expenses	6	-19,098	-58,557
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	12,15	-5,732	-17,730
Operating income		**-26,916**	**-56,532**
Profit/loss after financial items			
Profit from participations in Group companies	33	-200,852	44,984
Interest income and similar profit/loss items		6,481	5,033
Interest expenses and similar profit/loss items	9	-32,168	-28,532
Profit/loss after financial items		**-253,455**	**-35,047**
Tax on net income for the year	10	–	–
Net income for the year		**-253,455**	**-35,047**

Parent Company Statement of Comprehensive Income

SEK 000	Note	**Sep 19- Aug 20**	Sep 18- Aug 19
Net income and other comprehensive income for the year		-253,455	-35,047
Comprehensive income for the year		**-253,455**	**-35,047**

Parent Company Balance Sheet

SEK 000	Note	**8/31/2020**	8/31/2019
ASSETS			
Non-current assets			
Intangible assets			
Software	12	12,112	23,209
		12,112	**23,209**
Property, plant and equipment	15	695	1,493
		695	**1,493**
Financial non-current assets			
Participations in subsidiaries	16,28	462,704	511,704
Other non-current receivables	18,28,34	0	7,616
		462,704	**519,320**
Total non-current assets		**475,511**	**544,022**
Current assets			
Current receivables			
Receivables from Group companies	35	51,865	192,508
Current tax receivable		1,330	2,636
Other receivables	34	115	1,325
Prepaid expenses and accrued income	20	3,079	6,404
		56,389	**202,873**
Cash and cash equivalent	21,28	0	0
Total current assets		**56,389**	**202,873**
TOTAL ASSETS		**531,900**	**746,895**

SEK 000	Note	**8/31/2020**	8/31/2019
EQUITY AND LIABILITIES			
Shareholders' equity	22		
Restricted equity			
Share capital		30,521	203,473
Total restricted equity		**30,521**	**203,473**
Non-restricted equity			
Retained earnings		268,495	55,655
Net income for the year		-253,455	-35,047
Total non-restricted equity		**15,040**	**20,608**
Total equity		**45,561**	**224,081**
Non-current liabilities			
Corporate bond	23,28,34,36	412,283	397,238
Other non-current liabilities	23,28,34,36	0	2,679
Total non-current liabilities		**412,283**	**399,917**
Current liabilities			
Overdraft facility	24	61,469	32,903
Trade payables	25	2,777	15,830
Liabilities to Group companies	35	219	39,267
Other liabilities	26	1,122	13,192
Accrued expenses and deferred income	27	8,469	21,705
Total current liabilities		**74,056**	**122,897**
TOTAL EQUITY AND LIABILITIES		**531,900**	**746,895**

The comparative year for development expenses fund was recalculated, see Note 1.

Parent Company Changes in Shareholders' Equity

SEK 000	Restricted equity Share capital	Non-restricted equity Retained earnings	Net income for the year	**Total equity**
Shareholders' equity, August 31, 2018	**203,473**	**54,846**	**809**	**259,128**
Transfer of previous year's profit/loss		809	-809	0
Net income for the year			-35,047	-35,047
Comprehensive income for the year		*0*	*-35,047*	*-35,047*
Transactions with shareholders				
Dividend				0
Transactions with shareholders for the year		*0*		*0*
Shareholders' equity, August 31, 2019	**203,473**	**55,655**	**-35,047**	**224,081**
Transfer of previous year's profit/loss		-35,047	35,047	0
Net income for the year			-253,455	-253,455
Comprehensive income for the year		*0*	*-253,455*	*-253,455*
Transactions with shareholders				
Share capital reduction	-193,299	193,299		0
Rights issue	20,347	64,415		84,762
Issue expenses		-9,827		-9,827
Transactions with shareholders for the year	*-172,952*	*247,887*		*74,935*
Shareholders' equity, August 31, 2020	**30,521**	**268,495**	**-253,455**	**45,561**

Parent Company Statement of Cash Flow

SEK 000	Note	**Sep 19- Aug 20**	Sep 18- Aug 19
Operating activities			
Operating income		-26,916	-56,532
Interest received		6,481	5,033
Interest paid		-23,188	-25,880
Adjustments for items not included in cash flow	31	3,050	20,410
Cash flow from operating activities before change in working capital		**-40,573**	**-56,969**
Cash flow from change in working capital			
Decrease (+)/increase (-) in current receivables		-5,368	-62,458
Decrease (-)/increase (+) in current liabilities		-71,342	18,753
Cash flow from operating activities		**-117,283**	**-100,674**
Investing activities			
Acquisition of intangible assets and property, plant and equipment		-1,642	-21,664
Acquisition of intangible assets and property, plant and equipment		7,808	23,041
Investment of non-current receivables		7,616	-2,314
Cash flow from investing activities		**13,782**	**-937**
Financing activities			
Increased utilization of overdraft facility		28,566	6,627
Group contribution received		–	–
Rights issue		74,935	–
Dividend from subsidiaries		–	94,984
Cash flow from financing activities		**103,501**	**101,611**
Cash flow for the year		**0**	**0**
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at end of year	21	0	0

Notes to the financial statements

Amounts in SEK 000 unless otherwise stated.

Note 1 Accounting policies, etc.

General information about the Parent company, the Group and the financial statements
RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495– 4682, is a Swedish public limited liability company with its registered office in the municipality of Stockholm, Stockholm county. The company is listed on Nasdaq OMX Nordic, Stockholm, in the Small Cap segment. RNB RETAIL AND BRANDS AB (publ) is the Parent Company of the Group. The Group owns, operates and develops stores that sell fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics. The parent company's and the Group's financial year runs from September 1 to August 31. These Financial Statements for the 2019/2020 financial year have been signed by the Board of Directors and the CEO on December 1, 2020, thereby approving these Financial Statements for publication. The Consolidated Statement of Comprehensive Income and Balance Sheet for the Parent Company and Group are subject to adoption at the Annual General Meeting to be held on December 22, 2020.

Conformity with IFRS and statutes
The Consolidated Financial Statements have been prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS), as approved by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. The Financial Statements have been prepared on the basis that the Group's operations reflect a going concern. The Parent Company's Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, "Accounting for legal entities". The Parent Company applies the same accounting and valuation policies as the Group except in the instances described below in the section "Parent Company accounting principles".

Basis of preparation of financial statements for the Parent Company and the Group
The Parent Company's reporting currency is SEK, which is also the presentation currency for the Parent Company and the Group. This means that the financial reports are presented in Swedish kronor. All figures, unless otherwise stated, are rounded to the nearest thousand. The Group's financial statements have been prepared on accrual basis and on the basis of expenses incurred, with the exception of certain financial assets and liabilities valued at fair value. Financial assets and liabilities measured at fair value consist of derivatives (currency forwards and currency options) and liabilities relating to contingent consideration. Amounts are expressed in SEK and, with the exception of Earnings per share, all amounts are rounded to the nearest thousand. From the financial year 2019/2020 onwards, the Group applies IFRS 16 Leases, where lease contracts are recognized in the Balance Sheet and lease charges recognized as amortization and depreciation and interest expenses. The transition to IFRS 16 has implied effects on the Group's Balance Sheet at the time of transition on September 1, 2019 (see Note 30 Leases IFRS 16). The most important accounting policies applied in the preparation of these Consolidated Financial Statements are presented below. These policies have been applied consistently for all the years presented unless otherwise stated.

Estimates and judgments
Preparing the financial statements in accordance with IFRS requires that the Group management makes assessments and estimates as well as assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and a number of other factors that, under prevailing circumstances, are considered reasonable. The result of these judgments and assumptions is then used to estimate the carrying amounts of assets and liabilities that would not be evident from other sources. The actual outcome may differ from these estimates and assumptions. In the application of IFRS, assessments made by the Group management that have a significant impact on the financial statements and the estimates made and that can cause substantial adjustments in the following years' financial statements are described in detail in Note 2. Events after the Balance Sheet date refer to both favorable and unfavorable events that occur after the Balance Sheet date but before the date in the following year on which the financial statements are authorized for publication by the Board of Directors. Information is disclosed in the Annual Report concerning significant events after the Balance Sheet date that were not taken into account when preparing the Balance Sheet and Income Statement. Only events that provide evidence of conditions prevailing on the Balance Sheet date have been taken into account when presenting the financial statements.

New and amended accounting policies
IFRS 16 Leases
IFRS 16 replaces IAS 17 "Lease agreements" in the financial year 2019/2020. According to IFRS 16, lessees are required to report lease contracts as right-of-use and lease liabilities in the Balance Sheet. RNB applies the standard from the financial year 2019/2020 with a retrospective transition approach, with the cumulative effect from initial application, in accordance with IFRS 16.C5(b). The right-of-use asset has been recognized according to the principle described in IFRS 16.C8(b.ii), i.e. at an amount corresponding to the lease liability adjusted for paid or accrued expenses. Comparative figures have not been restated. The Group also applies the practical solution of excluding initial direct charges from the valuation of the right-of-use asset in accordance with IFRS 16.C10(d). Previously capitalized expenses are recognized separately as rental rights. The Group has chosen to apply the exception in IFRS 16 regarding lease contracts with a lease period shorter than 12 months and lease contracts where the value of the underlying asset is low. The Group applies the concession rule for reporting rent concessions due to Covid-19 introduced by IASB under IFRS 16, and which has been approved by the EU. Before application, the Group analyzed and documented all lease contracts. The Group has no financial lease contracts which means that this review only relates to contracts classified as operating leases in accordance with IAS 17. The Group has:

- Assessed that the key effect of the new standard is that the Group reports a right-of-use and lease liability for rent of premises, previously recognized as operating leases. This means that store rental costs will be reclassified from Operating lease expenses to Amortization of rights-of-use and Interest on outstanding lease liabilities.

- Upgraded a register of lease agreements and brought it on stream.

Note 1 **Cont.**

The effect of the first application of IFRS 16 had the following impact on the Group's financial position:

- The Group's assets and liabilities increased by SEK 1,206,523,000 and SEK 1,206,523,000 respectively.
- The Equity/assets ratio changed by -11.0%, amounting to 10.1% upon initial application, and the Group's Retained earnings increased/decreased by SEK 0, amounting to SEK - 2,060,157,000. For a certain number of the Group's rental contracts, rent is divided into basic rent and revenue-based rent, whereby total rent is determined on the basis of store sales in the financial year. According to IFRS 16, revenue-based rent will be expensed in the period the relevant sales are generated. In a small number of cases, the Group acts as lessor for the onward letting of store premises. IFRS 16 does not imply any significant changes to reporting for lessors, and the Group has not identified any differences in reporting.

The transition to IFRS 16 had the following effects on the Group's Balance Sheet as of September 1, 2019.

Operating lease commitments as of August 31, 2019	698,006
Discounting using the Group's weighted average marginal interest rate on borrowing of 1.74 percent.	-49,203
Additional liabilities for financial leases as of August 31, 2019	0
Less: short-term lease agreements and lease agreements where the underlying asset has a low value which has been expensed linearly	-6,815
Additional adjustments due to judgments regarding utilization of extension options or canceled agreements	564,535
Lease liabilities as of September 1, 2019	**1,206,523**

New IFRS standards issued but not yet applied
A brief description follows of standards and interpretations that have not yet been adopted by RNB RETAIL AND BRANDS but which are expected to have a future impact.

Other Standards and interpretations
None of the IFRS or IFRIC interpretations that have not yet become effective are expected to have any material impact on the Financial Statements of the Group and Parent Company.

Classification of assets and liabilities
Non-current assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after more than twelve months from the Balance Sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months of the Balance Sheet date.

Consolidation
The Consolidated Financial Statements encompass the Parent Company and its subsidiaries' operations up until August 31, 2020. All subsidiaries are wholly-owned with a Balance Sheet date of August 31. Subsidiaries are defined as all entities over which the Parent Company exercises control. Intra-group transactions, Balance Sheet items and intra-group unrealized gains and losses have been eliminated when preparing the Consolidated Financial Statements. The Financial Statements of subsidiaries are consolidated from the date of acquisition until the date when control ceases.

Business combinations
The acquisition method is used by the Group for recognition of business combinations. The transferred consideration to gain control of a subsidiary is calculated as the total of fair value of the acquired assets, liabilities and equity instrument issued by the Group, on the acquisition date. This can also include additional purchase consideration. Acquired assets and acquired liabilities are normally valued at fair value as of the acquisition date. All transaction costs connected with acquisitions are expensed.

Holdings in associated companies
Holdings in associated companies, in which the Group owns a minimum of 20% and a maximum of 50% of the votes or otherwise has a material influence, are reported in accordance with the equity method. The equity method means that the Group's recognized value of the shares in the associated company is increased or decreased by the Group's share of associated company earnings.

Foreign currency translation
Functional currency and presentation currency
In the Consolidated Financial Statements, Swedish krona (SEK) is the Parent Company's functional currency and the Group's presentation currency.

Transactions and Balance Sheet items in foreign currency
Transactions in foreign currency are translated to the entity's functional currency using the exchange rate applicable on the transaction date. Receivables and liabilities in foreign currencies are measured at the exchange rate prevailing on the Balance Sheet date. Exchange rate gains and losses attributable to loans are recognized in the Income Statement as "interest income" or "interest expenses". Exchange rate gains and losses that relate to purchasing and trade payables are recognized in Goods for resale.

Group companies
Items included in the Financial Statements of the various entities in the Group are measured in the currency used in the economic environment in which each company mainly operates (functional currency). All Group company earnings and financial position denominated in a functional currency other than the Group's presentation currency are translated as follows: assets and liabilities are translated at the closing day rate and revenues and costs are translated at the average exchange rate. The average rate is considered to be a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date and the translation differences that arise are recognized in Other comprehensive income and in Other reserves under Equity.

Revenue
Goods
Group revenue mainly derives from sales of goods to consumers in the Group's proprietary stores and e-commerce operations, and from wholesale sales to franchisees. Accordingly, the Group's performance obligation is to provide the customer with goods, either to consumers in the Group's proprietary stores or to franchisees and e-commerce consumers when goods are handed to independent carriers. RNB's revenue model is relatively generic: Revenue from the sale of goods at a fixed price is recognized when the Group has handed over control of the good to the customer, which normally takes place at the point of sale when the customer removes the good from the store or upon delivery to e-commerce consumers and franchisees in accordance with the terms of sale. All store sales are conducted on a 10– 30 days sale-or-return

basis, which means that revenue from in-store sales are reported after deductions for estimated returns. The estimated repayment for returned goods is recognized as a Repayment debt (the amount RNB is expected to owe the customer). The right to receive the returned item is recognized as Inventories. Revenue is also reduced by variable remuneration in the form of discounts and customer loyalty programs and is recognized excluding VAT under "Net sales". The Group has no discounts or loyalty programs comprising separate performance obligations which, as outlined above, means that the Group identifies only single performance obligations regardless of whether the customer is a consumer or a franchisee. All revenue recognition of goods takes place at a point in time.

Franchise fees
The Group's net sales also include franchise fees for services, including right to use intangible rights such as brands, product brands and store concepts, marketing and agreements. The franchise fee is based on the franchisee's sales and is reported in the equivalent period to when the franchisee's sale was made to a consumer, i.e. over time.

Rent
The Group sub-lets some of its stores premises to franchisees where rent is not included in the franchise fee. The rental income relating to rental contracts are recognized linear over the leasing period and recorded as other revenue, due to this revenue stream not being part of the Group's main operations.

Administrative services
Parent company revenue relates solely to internal services provided to the subsidiaries for management and administration. Revenue is recognized when a service is provided, i.e. over time.

Financial income and expenses
Financial income and expenses primarily consist of interest income on cash and bank balances, interest expenses on loans, changes in value of currency derivatives that do not comply with the requirements for hedge accounting, value changes on conditional consideration, amortization of loan expenses and other financial items. All loan costs are recognized in the Income statement in the period they arise. Dividend income is recognized as financial income when the right to receive payment has been established.

Financial instruments
Financial assets
A financial asset or financial liability is recognized when the Group becomes a party to the contractual terms and conditions of the instrument. A financial asset is derecognized from the Balance Sheet when the contractual rights to the asset seize to exist, are extinguished or the Group loses control over them. A financial liability is derecognized from the Balance Sheet when the contractual obligation has been fulfilled or in some other manner extinguished. Financial assets and liabilities are offset against each other and recognized as a net amount in the Balance Sheet only when there is a legal right to offset the recognized amounts and there is an intention to settle them with a net amount. All financial assets are initially valued to fair value. The Group classifies its financial assets, other than those that have been identified and serve as hedging instruments, in the categories Amortized cost and Fair value in the Income Statement. The Group does not currently have any financial assets valued at fair value through Other comprehensive income. The classification of financial assets is determined by the Group's business model for the management of the financial asset and the characteristics of the contractual cash flows from the financial asset. All revenue and expenses relating to financial assets recognized in the Income Statement are classified under the item "Interest income etc", with the exception of amounts comprising impairment of trade receivables included under the item "Other external expenses". The ensuing valuation of financial assets takes place as follows:

Financial assets at accrued cost
Financial assets are valued at amortized cost if the assets meet the following criteria and are not recognized at fair value in the Income Statement: they are held within the framework of a business model where the objective is to hold the financial assets and collect contracted cash flows, and the contractual terms governing the financial assets give rise to cash flows comprising only payments of capital amounts and interest on the outstanding capital amount. After the first reporting date, these are valued at amortized cost using the effective interest method. Discounting is excluded if the effect of discounting is negligible. This category comprises cash and cash equivalents, trade receivables, accrued income long-term receivables and other receivables.

Financial assets measured at fair value through profit or loss
All derivatives are classified in this category apart from instruments that are identified as and function as hedge instruments, and fulfill the criteria for hedge accounting. This category includes currency derivatives with positive fair values. Results from revaluation of hedging derivatives are reported in accordance with the information stated under Currency derivatives and hedge accounting. Assets in this category are valued as fair value with profit or loss recorded in the results. Fair value of financial assets in this category is determined with reference to active market transactions, or in cases where there is no active market, with the help of valuation techniques. This category was unchanged on comparative periods.

Loans and receivables
This category comprises cash and cash equivalents, trade receivables, accrued income long-term receivables and other receivables. Loan receivables and trade receivables are initially recognized at fair value and subsequently at accrued cost. The anticipated term of trade receivables is mainly short, implying that the value is recognized without discounting.

Impairment of financial assets
The impairment rules under IFRS 9 apply more forward-looking information in the recognition of expected credit losses: the expected credit loss model. This replaces IAS 39's previous impairment model for incurred losses. Financial assets included in the new model for expected credit losses are trade receivables and other receivables plus, contract assets (according to IFRS 15). The Group applies a simplified method for recognizing trade receivables and other receivables plus contract assets, and recognizes expected credit losses on the basis of remaining maturity. This is where potential shortcomings in contracted cash flows can be identified, considering the risk of absent payments at any point in time during the term of the financial instrument. In the calculation, the Group applies historical experience, external indicators and forward-looking information to calculate expected credit losses using a provision matrix. Because a high proportion of Group sales are cash sales (physical cash and credit cards) to the consumer, credit losses are very low.

Financial liabilities
Financial assets measured at fair value through profit or loss
This category includes currency derivatives with a negative fair value. Results from revaluation of hedging derivatives are reported in accordance with the information stated under Currency derivatives and hedge accounting. This category also includes a liability related to contingent purchase consideration due to the combined buy/sell option agreed between the Group and minority shareholders in the acquired subsidiary Kids Company Oy. This liability amounted to SEK 21,359,000 as of August

31, 2020, plus an option with a combined buy/sell option agreed between the Group and the master franchisee in the US to buy/sell all the shares in the master franchisee's company or equivalent assets in the company. This liability amounted to SEK 0 as of August 31, 2020.

Other financial liabilities
This category consists of trade payables, accrued costs and loan liabilities. Other liabilities are measured at amortized cost. Since the estimated maturity of trade payables is short, their value is recognized without discounting.

Recording and valuation of liabilities were unchanged compared to the comparable periods.

Currency derivatives and hedge accounting
The Group uses currency derivatives in the form of currency forwards to hedge the Group's exchange rate risk resulting from a high proportion of Group purchasing being denominated in foreign currency (cash flow hedges). In order to satisfy the requirements of hedge accounting, the hedge relationship must satisfy all of the following criteria: there is an economic relationship between the hedged item and the hedge instrument - the effect of the credit risk does not dominate value changes ensuing from the economic relationship - the hedge ratio applying to the hedge relationship corresponds to that derived from the quantity of the hedged item the company hedges and the quantity of the hedge instrument the company actually uses to hedge the volume of hedged items. For more information, see Exchange rate risk in Note 37. All derivative instruments used in hedge accounting are recognized at fair value at the earliest reporting date, and subsequently at fair value in the Statement of Financial Position. To the extent that the hedge is effective, changes in fair value of derivatives identified as hedge instruments in cash flow hedges are recognized under Other comprehensive income and form part of provisions for cash flow hedges under Equity. Potential inefficiencies in the hedge relationship are recognized immediately in the Income Statement. At the point in time when the hedged item affects profit or loss, any profit or loss that was previously recognized in Other comprehensive income is reclassified from Equity to Profit or Loss and is recognized as a reclassification adjustment under Other comprehensive income. However, in the event that a non-financial asset or liability is recognized as a result of the hedged transaction, profit or loss previously recognized in Other comprehensive income is included in the initial valuation of the hedged item. In the event that a forecast transaction is no longer expected to be completed, any potential profit or loss is recognized under Other comprehensive income is immediately transferred to profit or loss. In the event that a hedge relationship no longer satisfies the requirements of an efficient relationship, hedge accounting is terminated and any associated profit or loss remains in capital reserves until the forecast transaction has been completed.

Goodwill
Goodwill represents future economic synergies driven from previous years' acquisitions, albeit that can not be independently identified or recorded separately. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized; instead, it is tested for impairment annually or as soon as indications arise suggesting that the asset in question has decreased in value. In order to test for goodwill impairment, goodwill is allocated to cash generating units, comprising the Group's operating segments. Any impairment losses are not reversed.

Other intangible assets

Rental rights Acquired rental rights are recognized at cost less accumulated amortization. Rental rights are amortized over ten years, which corresponds to their estimated useful lives, as these rights pertain to stores primarily situated in central city locations. The assets' residual values and useful lives are tested for impairment at the close of each financial year and adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable amount should the carrying amount of the asset exceed its estimated recoverable amount.

Software: Software developed in-house is recognized at cost less accumulated amortization. Expenses directly attributable to software development are recognized under intangible assets provided that the following criteria are satisfied: that the development expense can be reliably measured; that the project is technically and commercially viable; that the Group has sufficient resources to complete the project; that the Group has the ability to use or sell the software; that the software is likely to generate future economic benefits.

Development expenses that do not satisfy these criteria for capitalization are expensed when they arise . Directly attributable expenses include personnel expenses that arise in connection with software development, alongside a reasonable share of relevant expenses and borrowing costs. Software is amortized over five years, which corresponds to its expected useful life. The assets' residual values and useful lives are tested for impairment at the close of each reporting period and adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable amount should the carrying amount of the asset exceed its estimated recoverable amount. Software developed in-house, which has been activated but not yet completed, is not written off but tested for impairment yearly.

Property, plant and equipment
Property, plant and equipment includes equipment and store fittings and is recognized at cost less accumulated depreciation and any impairments. Additional expenditure is added to the asset's carrying amount or is recognized as a separate asset, depending on what is most appropriate, only if it is probable that the future economic benefits associated with the asset will accrue to the Group and that the cost of the asset can be measured reliably. Repair and maintenance expenditure is expensed during the period such expenditure arises. Property, plant and equipment is depreciated systematically over the estimated useful life of the assets concerned. The straight-line method of depreciation is used for all types of property, plant and equipment. For equipment and store fittings, a depreciation period of five years is used. The assets' residual values and useful lives are tested for impairment at the close of each reporting period and adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable amount should the carrying amount of the asset exceed its estimated recoverable amount.

Leases
Lease contracts
The Group's lease contracts are mainly rent agreements for store premises. RNB applied IAS 17 Leases up until and including the financial year 2018/2019. From September 1, 2019, lease contracts have been reported in accordance with IFRS 16 Leases, which means that lessees recognize rights of use and lease liabilities in the Balance Sheet. The standard includes concession regulations for short-term contracts (lease contracts with a term of less than 12 months) and lease contracts where the underlying asset is of low value.

Lease liabilities
At the start date of a lease contract, a lease liability is recognized at an amount corresponding to the present value of the lease payments not made at that time. These lease liabilities are recognized separately from other liabilities in the Balance Sheet. The lease term is determined on an agreement basis as the non-cancellable term alongside terms for extending or cancelling the agreement if RNB is reasonably

certain that it will exercise the options. In connection with assessing the lease term when extension and cancellation opportunities are present, both the business strategy and agreement-specific conditions for determining whether the Group is reasonably certain it will exercise the options are considered.

Lease payments include fixed payments (after deduction for potential benefits in connection with signing the lease contract), variable lease charges linked to an index or price, and amounts that are expected to be paid in accordance with residual value guarantees. Lease payments also include the exercise price for an option to buy the underlying asset or penalty charges payable on cancellation if RNB is reasonably certain that the options will be exercised. Variable lease charges that are not linked to an index or a price, such as the Group's percentage rents, are reported as a cost in the period in which they occurred.

For the present value calculation of lease payments, the implied interest rate in the contract is applied if it can readily be determined, otherwise the marginal borrowing rate for the lease contract is applied. After the start date of a lease contract, the lease liability increases to reflect interest on the lease liability and decreases by lease charges paid. In addition, the lease liability is revalued as a result of contract modifications, changes to the lease term, changes to lease payments or changes to the assessment relating to acquiring the underlying asset.

Right-of-use assets
RNB recognizes right-of-use assets in the Balance Sheet at the start date of the lease contract. Right-of-use assets are recognized separately from other assets in the Balance Sheet.

Right-of-use assets are valued at cost after deductions for accumulated depreciation and amortization and potential impairment, and adjusted for revaluation of the lease liability. Cost includes the initial value recognized for the attributable lease liability, initial direct expenses, potential advance payments made on or before the start date of the lease contract after deductions for potential incentives received, and an estimate of potential reinstatment costs.

Provided that RNB cannot determine with reasonable certainty that the company will take over the right of use of the underlying asset at the end of the lease contract, the right-of-use asset is impaired on a straight line basis over the shorter of the useful life and the lease term.

Application of concession regulations
RNB applies the concession regulations regarding short-term lease contracts and lease contracts where the underlying asset is of low value. Expenses that arise in connection with these lease contracts are recognized on a straight-line basis over the lease term as operating costs in the Income Statement.

Furthermore, RNB applies the practical solution relating to rent concessions as a direct result of the Covid-19 pandemic. In cases where rent concessions result in revised payments under lease contracts that are largely equal to, or lower than, payments under the lease contract immediately prior to the change, where the reduction in lease charges only affects the charges that would originally have matured on or before 30 June 2021, and where no material changes to other terms in the lease contract have been made, the practical expedient has been applied. In such cases, rent concessions are reported as a negative variable lease charge and thereby reduce external expenses. When the criteria for applying the practical expedient have not been met, rent concessions are reported as a change in the lease contract.

Applied principles for the comparative year
All lease contracts where the Group acted as lessee have been classified as operating lease contracts and recognized in the Group's Comprehensive Income as an operating expense on a straight line basis over the lease term.

Impairment testing
On each Balance Sheet date, impairment testing is performed to determine whether there is any indication that the carrying amounts of Group property, plant and equipment and intangible assets have fallen in value. If there is such an indication, the recoverable amount of the asset concerned is calculated (the highest of value in use or net realizable value). If the recoverable amount is lower than the carrying amount, an impairment loss is recognized in the Income Statement.

Goodwill is divided over the cash-generating units expected to benefit from synergies in the relevant acquisitions. These cash-generating units represent the lowest level in the Group where Group management monitors goodwill. The impairment requirement for the cash-generating units that have been allocated goodwill, corresponding to the Group's operating segments according to Group management's assessment, are tested for impairment at least once annually.

Impairment is recognized at the amount at which the asset's (or the cash-generating unit's) recognized value exceeds the recoverable amount, which is defined as the higher of fair value less cost of divestment and value-in-use. In order to determine the value-in-use, Group management estimates future expected cash flows from each cash-generating unit and determines an appropriate discount rate for calculating the present value of these cash flows. The data applied in impairment testing is directly linked to the Group's most recent approved budget and strategic plans, adjusted as required to exclude the effects of future reorganizations and improvements of assets. Discount rates are determined on an individual basis for each cash generating unit and reflect current market estimates of monetary value over time and asset-specific risk factors.

In the first instance, impairment in cash-generating units decreases the recognized value of any goodwill allocated to the cash-generating unit. Any remaining impairment then proportionally decreases other assets in the cash-generating units.

With the exception of goodwill, a new assessment of all assets is made for signs indicating that previous impairment is no longer warranted. Impairment is reversed if the asset or the recoverable value of the cash-generating unit exceeds recognized value.

Inventories
Inventories are measured at the lower of cost and net realizable value. When calculating the cost of inventories, the first-in, first-out principle is applied, including expenses arising after the acquisition of inventory items and transportation to the Group's warehouses.

Cash and cash equivalents
Cash and cash equivalents consist of cash funds and immediately available balances with banks and similar institutions.

Dividends paid
Dividends paid are recognized as a liability after the AGM has approved the dividend.

Equity and liabilities

Share capital represents the nominal value (quotient value) of shares issued.

Share premium reserve includes any potential premium received upon new issue of share capital. Potential transaction expenses associated with the new share issues are deducted from contributed capital, with consideration given to potential income tax effects. The classification changed in the financial year 18/19 and earlier periods have been adjusted.

Other elements of shareholders' equity include the following:

Revaluation reserve – includes exchange rate differences from the conversion of financial reports for the Group's foreign operations to SEK.

Hedge reserve – includes effects of cash flow hedges.

Retained earnings-includes retained earnings from previous financial years.

Net income for the year includes profit / loss for the current financial year.

All transactions with Parent Company shareholders are reported separately under Equity. Dividend to be paid to shareholders is included under Current liabilities once the dividend has been approved at a shareholders' meeting before the record date.

Remuneration after terminated employment

Pensions

The Group provides defined benefit plans in accordance with Alecta, and defined contribution plans.

Employees in Sweden are covered by both defined benefit and defined contribution plans, while employees in Norway, Finland and Hong Kong are only covered by defined contribution plans.

Defined contribution plans

For employees covered by defined contribution plans, contributions are paid to a separate legal entity and there is no obligation to pay additional contributions. Commitments relating to defined-contribution plans are expensed in the period in which the relevant personnel services are received.

Alecta

Certain commitments for salaried employees in Sweden are also secured through insurance with Alecta. According to statement UFR 10 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, the insurance with Alecta constitutes a multi-employer defined benefit plan. Like for previous years, Alecta has not had access to information that would make it possible to recognize this plan as a defined benefit plan. Accordingly, the ITP pension plan secured through insurance with Alecta is recognized as a defined contribution plan. See also Note 6.

Remuneration upon termination of employment

A provision is recognized in conjunction with termination of employment only if the company is unquestionably obligated to terminate employment prior to the scheduled time or when remuneration is paid as an offer to encourage voluntary resignation. In cases where the company terminates employment, a detailed plan is prepared, which at a minimum includes workplace, positions held, the approximate number of employees involved, the remuneration for each personnel category or position and the time of implementation of the plan.

Short-term remuneration to employees

Short-term remuneration to employees, including holiday pay , are current liabilities recognized as current liabilities. These liabilities are valued at the undiscounted amount the Group is expected to pay as a result of the unutilized right.

Income tax

The tax expense recognized for profit or loss consists of the sum of deferred tax and current tax which is not reported under Other comprehensive income or directly against Equity. Current tax includes tax paid or received for the relevant year, adjustments of current tax in previous years and changes in deferred tax. These taxes have been calculated in accordance with tax regulations decided or applied in practice in each country as of the Balance Sheet Date. Deferred tax is calculated and recognized on all temporary differences and loss carry-forwards. Deferred tax assets are recognized as non-current receivables and deferred tax liabilities are recognized as non-current liabilities. Tax liabilities/assets are measured at nominal amounts in accordance with taxation rules and tax rates decided or announced, and that with considerable certainty can be expected to be implemented. In the Balance Sheet, current tax receivables and current tax liabilities are recognized as current items. The value of deferred tax assets is assessed on the Balance Sheet date and is reduced to the extent that it is no longer considered probable that sufficiently large taxable profits will be available to offset all or a proportion of the deferred tax assets. The Group does not currently have any deferred tax assets. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset current tax assets against tax liabilities, and when the deferred tax assets and tax liabilities pertain to taxes charged by the same tax authority and pertain either to the same taxpayer or to different taxpayers, where there is an intention to settle balances through a net payment.

Statement of Cash Flow

The Statement of Cash Flow has been prepared in accordance with the indirect method. The recognized cash flow only includes transactions that involve incoming or outgoing payments.

Reporting by operating segments

RNB RETAIL AND BRANDS has identified Group Management as its chief decision making body. RNB reports four operating segments as of the end of the 2019/20 financial year, namely: Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. Each operating segment is managed separately. All transactions between the segments are made at arms length and based on prices charged non related customers in an independent sales situation with identical goods or services. The operating segments' earnings, assets and liabilities include directly attributable items that can be allocated to the operating segments in a reasonable and reliable manner. Group management assesses the earnings of operating segments on the basis of operating income excluding IFRS 16 effects and goodwill impairment. This measurement does vary from the measurement of operating income recognized in the Consolidated Income Statement. In the financial statements for the operating segments, central administration is recognized under Other.

Contingent liabilities

A contingent liability is recognized when a possible obligation arises from past events whose existence will only be confirmed by one or more uncertain future events or when an obligation exists that has not been recognized as a liability or provision, since it is not probable that an outflow of resources will be required.

Other

Public subsidies and government grants

Public subsidies and government grants are recognized when it can be ascertained with reasonable certainty that the Group or company will satisfy the conditions associated with the subsidy and it can be ascertained with reasonable certainty that it will be received. When a subsidy relates to an expense, it is recognized as income systematically over the periods when the related costs, which it is intended to compensate, are expensed. When a subsidy relates to an asset, it is recognized as income at an equal amount during the related asset's expected useful life. During the financial year, the Group recognized income for government reorientation grants received. Events after the Balance Sheet date that show that such grants have been approved and paid out confirm that this condition prevailed on the Balance Sheet date.

Note 1 Cont.

Parent company accounting and valuation principles
The Parent Company prepares its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 means that the Parent Company, in the annual accounts for the legal entity, should apply all International Financial Reporting Standards and interpretations approved by the EU as far as possible within the framework of the Annual Accounts Act, and taking into account the connection between recognition and taxation. The recommendation sets out the exceptions and additions to be made from IFRS. The most important differences between the Group's and the Parent Company's accounting policies are presented below.

Revised accounting principles in RFR2
Changes to RFR2 have not had any material impact on the Parent Company's financial reporting in 2019/20.

Lease agreements
The rules governing the reporting of lease contracts under IFRS 16 are not applied in the Parent Company. This means that lease charges are recognized as a cost on a straight line basis over the lease term, and that right-of-use assets and lease liabilities are not included in the Parent Company Balance Sheet. However, lease contracts are identified in accordance with IFRS 16, i.e. a contract is, or contains, a lease contracts if the contract transfers the right to determine, for a specified period, the use of an identified asset against remuneration.

Shareholders' contributions and Group contributions
The Parent Company recognizes Group contributions received and Group contributions paid according to the general rule in RFR 2, which means Group contributions received from subsidiaries are recognized as financial income and Group contributions paid to subsidiaries are recognized as an increase in participations in Group companies. Shareholders' contributions received are recognized directly in the recipient's equity and shareholders' contributions paid are recognized as an increase in participations in Group companies. Insofar as impairments are required after Group contributions and shareholders' contributions paid, the impairment loss is recognized as a cost through profit or loss under Profit from participations in Group companies.

Participations in subsidiaries
Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method. All dividends received from subsidiaries are recognized as income in the Income Statement under Profit from participations in Group companies. The Balance Sheet item Participations in subsidiaries is tested for impairment insofar as there are indications or reasons to assume that the recoverable amount is less than the carrying amount. Impairment testing proceeds from the same valuation models and the same estimated value of cash generating units that have been applied in the calculation of Group goodwill (for more information, see Note 14). In addition to the valuation of future cash flows, impairment testing also takes into account net debt for the segment and the fair value of shares. Testing is carried out on the basis of the value of future cash flows, less net debt, and comparing the result with the recognized value of the shares. Impairment testing carried out resulted in impairment of shares in subsidiaries totaling SEK 39 M for Brothers and SEK 10 M for Departments & Stores.

Note 2 Material estimates and judgments

In connection with preparing the financial statements, Group management makes a number of judgments, calculations and assumptions about the reporting and valuation of assets, liabilities, income and expenses.

Material judgments
The following comprise material judgments made by Group management in the application of those accounting and valuation principles with the most significant effect on the Group's financial statements.

Income tax
When preparing the Financial Statements, RNB conducts a calculation of the income tax applicable in each tax jurisdiction in which the company operates, as well as deferred taxes attributable to temporary differences. Deferred tax assets are recognized insofar as it is probable that future taxable surpluses will be available against which the temporary differences can be offset.

Non-current assets held for sale
As previously communicated, a change of ownership may arise for one or several of the companies in the Group. Discussions relating to this have been held. RNB assesses that IFRS 5 does not apply, as the stringent demands on probability have not been satisfied. Accordingly, plant, property and equipment will not be reclassified as if held for sale.

Uncertainty in estimates
Information about the estimates and assumptions with the most material impact on the recognition and valuation of assets, liabilities, income and expenses follows. Actual outcomes can differ significantly from estimates.

Goodwill impairment and shares in subsidiaries
In order to estimate the impairment need for goodwill and shares in subsidiaries, the recoverable amount for each cash-generating or company unit is calculated at least annually on the basis of anticipated future cash flows using an appropriate interest rate for discounting these cash flows. The uncertainty relates to assumptions about future operating income and setting an appropriate discount rate.

Inventories
Group management calculates the net sales value of inventories on the basis of the most reliable information available on the relevant Balance Sheet date. The future sales value may be affected by future discounting.

Other liabilities related to contingent purchase consideration
A contingent consideration liability arose in connection with the acquisition of Kids Company Oy. The actual outcome of the parameters in the agreed measurement of the acquisition target could deviate from the assessments and assumptions made of the liability's value in the annual Financial Statements.

Note 3 Revenue

Net sales by country

Sep 19- Aug 20	Brothers	Depart-ments & Stores	Man of a kind	Polarn O. Pyret	Total
Sweden	331,457	739,159	25,179	377,473	1,473,268
Finland	32,053			107,882	139,935
Norway				107,441	107,441
Other national markets				62,893	62,893
					1,783,537

Net sales in Sweden includes sales to franchisees of SEK 82,999,000.

The distribution of sales by country has been calculated based on the domicile of the selling company and the purchasing master franchisee. No individual paying customer represents more than 10 percent of total revenue.

Net sales by country

Sep 18- Aug 19	Brothers	Depart-ments & Stores	Man of a kind	Polarn O. Pyret	Total
Sweden	464,064	919,680	23,480	465,471	1,872,695
Finland	75,109			121,515	196,624
Norway				136,174	136,174
Other national markets				61,214	61,214
					2,266,707

Net sales in Sweden includes sales to franchisees of SEK 128,708,000.

The distribution of sales by country has been calculated based on the domicile of the selling company and the purchasing master franchisee. No individual paying customer represents more than 10 percent of total revenue.

Note 4 Segment and revenue reporting by country

RNB has the following business areas; Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The internal follow-up includes separate financial information for each business area. Group management monitors business area profit based on operating income excluding the effects of IFRS 16 and goodwill impairment.

Brothers offers smart casual fashion for men in the mid-market segment.

Departments & Stores has extensive operations focusing on the premium and luxury segment, at Nordiska Kompaniet in Stockholm and Gothenburg. Sales include women's, men's and children's clothing, cosmetics, jewelery, watches and accessories.

Man of a kind offers exclusive fashion for men online.

Polarn O. Pyret sells baby and children's wear focusing on high quality, sustainability, functionality, design and exceptional service.

Sep 19- Aug 20	Brothers	Departments & Stores	Man of a kind	Polarn O. Pyret	Other	Eliminations	Total
Revenue							
External sales	363,511	739,159	25,179	655,688	–	–	1,783,537
Internal sales	–	–	–	–	41,027	-41,027	0
Net sales, other	9,848	33,816	–	7,223	155	-4,292	46,750
Total	**373,359**	**772,975**	**25,179**	**662,911**	**41,182**	**-45,319**	**1,830,287**
Operating income	**-116,179**	**-174,487**	**-3,120**	**-21,651**	**-25,839**	**–**	**-341,276**
Operating income excluding IFRS 16 and goodwill impairment	-82,711	-50,568	-3,120	-28,210	-25,941	–	-190,550
Other disclosures							
Assets	167,077	169,028	0	293,563	1,322,025	-215,961	1,735,732
Liabilities and provisions	155,106	240,867	0	169,802	1,518,447	-215,963	1,868,259
Investments	940	18,428	0	2,657	1,645	–	23,670
Depreciation and amortization	9,478	8,892	0	16,873	268,976	–	304,219
Goodwill impairment	43,000	141,000	–	–	–	–	184,000
Non-current assets by country							
Sweden	72,837	70,557	0	43,157	729,634	–	916,185
Norway	–	–	–	51,078	26,350	–	77,428
Finland	–	–	–	25,386	29,595	–	54,981
Hong Kong	–	–	–	898	–	–	898

Group-wide services are recognized under Other in segment reporting.

Note 4 Cont.

Sep 18- Aug 19	Brothers	Departments & Stores	Man of a kind	Polarn O. Pyret	Other	Eliminations	Total
Revenue							
External sales	539,173	919,680	23,480	784,374	–	–	2,266,707
Internal sales	40	–	–	–	124,015	-124,055	0
Net sales, other	11,059	15,355	–	7,755	4,814	-9,395	29,588
Total	**550,272**	**935,035**	**23,480**	**792,129**	**128,829**	**-133,450**	**2,296,295**
Operating income	**-12,348**	**-48,173**	**-13,568**	**20,023**	**-56,093**	**–**	**-110,159**
Operating income excluding goodwill impairment	-12,348	16,827	-13,568	20,023	-56,093	–	-45,159
Other disclosures							
Assets	280,579	434,843	0	353,956	191,285	-148,699	1,111,964
Liabilities and provisions	91,324	203,358	250	200,025	530,726	-148,699	876,984
Investments	8,913	18,924	0	11,379	21,667	–	60,882
Depreciation and amortization	9,400	8,008	212	11,376	17,744	–	46,740
Goodwill impairment	–	65,000	–	–	–	–	65,000
Non-current assets by country							
Sweden	120,822	202,021	0	40,416	32,332	–	395,591
Norway	–	–	–	54,714	–	–	54,714
Finland	2,205	–	–	26,383	–	–	28,588
The Netherlands	–	–	–	–	–	–	0
Hong Kong	–	–	–	–	935	–	935

Group-wide services are recognized under Other in segment reporting.

Note 5 Number of employees

Average number of employees distributed between women and men

	Sep 19- Aug 20		Sep 18- Aug 19	
Group	Total	Of which men	Total	Of which men
Sweden	628	117	816	147
Finland	67	3	92	5
Norway	44	1	61	1
Hong Kong	18	6	23	7
	757	**127**	**992**	**160**

	Sep 18- Aug 19		Sep 18- Aug 18	
Parent Company	Total	Of which men	Total	Of which men
Sweden	9	4	24	9
	9	**4**	**24**	**9**

There were three employees in the Parent Company at the end of the financial year.

Distribution between women and men on the Board of Directors and Management as of August 31

	Aug 31, 20		Aug 31, 19	
Group	Total	Of which men	Total	Of which men
Board of Directors	3	3	6	4
Management incl. CEO	4	3	7	4

Note 6 Personnel expenses

Expensed salaries, other remuneration and social security expenses

	Sep 19- Aug 20			Sep 18- Aug 19		
Group total	Board of Directors and CEO	Other employees	Total	Board of Directors and CEO	Other employees	Total
Salaries and other remuneration	12,435	353,199	365,634	20,253	416,711	436,964
Social security expenses	3,788	77,299	81,088	5,759	121,980	127,739
Pension expenses	3,385	21,715	25,100	3,444	25,602	29,045
	19,608	**452,214**	**471,822**	**29,456**	**564,293**	**593,749**

During the financial year, contributions for personnel totaling SEK 24,311,000 (33,596,000) were received. For the 2019/2020 financial year, Group expenses for defined contribution plans amounted to SEK 25.1 M (29.0

Multi-employer plans
The Group has retirement and family pension obligations for white-collar employees in Sweden secured through insurance with Alecta. This pension plan covers multiple employers. At present, Alecta cannot provide specific defined-benefit amounts for those participating, and therefore premiums paid to Alecta are recognized as a part of defined-contribution plans.

Alecta's surplus in the form of the collective solvency margin amounted to 148% percent (142%). The collective solvency margin is defined as the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

Group companies' share of total savings premiums for ITP 2 in Alecta

	Aug 31, 20	Aug 31, 19
Brothers AB	0.004%	0.005%
Departments & Stores Europe AB	0.005%	0.009%
Polarn O. Pyret AB	0.007%	0.010%
RNB Retail and Brands AB	0.001%	0.002%

Group companies' share of total number of active insured persons in ITP 2

	Aug 31, 20	Aug 31, 19
Brothers AB	0.006%	0.006%
Departments & Stores Europe AB	0.009%	0.010%
Polarn O. Pyret AB	0.010%	0.010%
RNB Retail and Brands AB	0.001%	0.002%

	Sep 19- Aug 20			Sep 18- Aug 19		
Parent Company	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Salaries and other remuneration	3,364	5,838	9,202	11,848	29,162	41,010
Social security expenses	1,057	1,834	2,891	3,301	9,079	12,380
Pension expenses	1,444	1,191	2,635	1,714	3,160	4,874
	5,865	**8,863**	**14,728**	**16,863**	**41,401**	**58,264**

Remuneration to the Board and senior executives

Guidelines for remuneration to senior executives
The AGM 2019, resolved on the following guidelines for remuneration and other terms of employment for management.

General principles
The Company is to offer market-based total remuneration that facilitates the recruitment, motivation and retention of executives. Total annual cash remuneration, i.e. basic salary plus variable salary shall be determined on the basis of competitive criteria. The remuneration shall also be based on position and performance.

The Board is entitled to diverge from the guidelines if the Board deems that it has specific reasons to justify such a divergence in an individual case.

Basic salary
The basic salary should reflect the individual's, responsibility, performance and competence.

Variable salary
Variable salary is primarily related to the outcome of the subsidiaries and the Group's operating income and cash flow against established targets. The performance goals are set each financial year by the Board. Variable salary may not exceed 40% of annual basic salary.

Pension
Pension should be fee based in accordance with the ITP-plan or equivalent. The standard retirement age is 65– 67.

Notice period etc.
The notice period for executives is six months, and for RNB to give notice to an executive the notice period is 6-12 months. The CEO has a notice period of 12 months if termination is initiated by the company. Unchanged salary is paid during the notice period.

Other remuneration and benefits, for example health insurance are to be market-based and contribute to facilitating the employee's ability to complete his/her assignments.

Board of Directors
Director's fees are payable to the Chairman and Board members in accordance with the resolution of the AGM. In the financial year 2019/2020, The Board of Directors received total fees of SEK 870,000 (1,361,000) allocated as follows: SEK 426,000 (376,000) to the Chairman of the Board and SEK 222,000 (172,000) to each of the other Board members. No fees have been payable for work carried out in the Audit and Remuneration Committees. Board members have received fees for assignments carried out in the subsidiaries. Pension or other incentive programs were not received by the Board of Directors. No Directors' fees were paid in the subsidiaries.

Note 6 **Cont.**

CEO

Remuneration paid to the CEO comprises basic salary, variable salary, car allowance, pension and other remuneration. The company appointed a new CEO in the year. Magnus Håkansson was President and CEO between September 1 - December 31, 2019, and Kristian Lustin has been President and CEO since January 1, 2020.

The CEO is entitled to occupational pension in accordance with the ITP-plan sub-section 2 corresponding to a pension premium of approximately 32 percent of current annual salary. Pensionable age is the regular retirement age. The CEO is subject to a notice period of twelve months if termination is initiated by the company, and six months if termination is initiated by the CEO.

Former CEO Magnus Håkansson is on leave during 2020. A provision of SEK 6,330,000 was expensed for 2018/2019 to cover salary paid during the period of leave, SEK 8,036,000 including social security expenses. Salary was exchanged for pension entitlement in the period July - December 2019. In 2018/2019, the Board exercised its right to depart from the adopted guidelines by replacing the bonus program with an incentive scheme directed at Magnus Håkansson as of January 1, 2019. The incentives paid under the scheme are based on the progress of RNB's stock market value between November 2018 and December 2019. This did not materialize.

Other senior executives

Other senior executives are defined as persons who, apart from the CEO, are members of management. In the period September 2019 - February 2020, there were six members of management, and three from March 2020.

Remuneration paid to members of Group management comprises basic salary variable salary, pension and other remuneration. The basic salary and the variable salary components jointly represent the employee's salary. Variable salary is based on the outcome of the subsidiaries' and Group's operating income and cash flow compared to pre-determined targets.

Variable salary of SEK 671,000 (1,571) was expensed in the financial year, relating to "golden handcuff" incentives, where the terms stipulated the requirement to remain in employment in 2019 and for part of 2020. No variable remuneration was expensed in 2019/2020 relating to the targets for operating income and cash flow.

Pension is payable according to ITP sub-division 2 at 20-25 percent of basic salary or according to the requirements of ITP sub-division 1. Pensionable age for other senior executives is the general retirement age.

Other senior executives are subject to a notice period of nine months if termination is initiated by the company, and six months if termination is initiated by the executive. Unchanged salary is paid during the notice period. For exemption from work, a total of SEK 0 (963,000), excluding social security expenses, was posted to provisions and expensed in the financial year.

Expensed remuneration to the Board of Directors, Management and CEO

	Sep 19- Aug 20					Sep 18- Aug 19				
	Basic salary and fees	Variable salary	Pension costs	Remuner-ations	**Total Remuneration to the Board of Directors, Management and CEO**	Basic salary and fees	Variable salary	Pension costs	Remuner-ations	**Total Remuneration to the Board of Directors, the Management team and President**
Chairman of the Board Laszlo Kriss					**0**	401				**401**
Chairman of the Board Per Thunell	426				**426**	197				**197**
Board member Monika Elling					**0**	247				**247**
Board member Michael Lemner	222				**222**	172				**172**
Board member Joel Lindeman	222				**222**	172				**172**
Board member Sara Wimmercranz					**0**	172				**172**
CEO Magnus Håkansson	781	0	869	0	**1,650**	4,157		1,714	6,330	**12,201**
CEO Kristian Lustin	1,713	0	575	0	**2,288**					
Other senior executives	7,998	671	2,172	0	**10,841**	10,198	1,571	2,162	963	**14,894**
	11,361	**671**	**3,616**	**0**	**15,649**	**15,716**	**1,571**	**3,876**	**7,293**	**28,456**

Note 7 Remuneration to auditors

	Group		Parent Company	
	Sep 19–Aug 20	Sep 18–Aug 19	**Sep 19–Aug 20**	Sep 18–Aug 19
Ernst & Young AB				
Audit assignment	3,116	2,789	1,686	1,200
Audit work apart from the audit assignment	575	310	355	190
Tax consultancy	98	260	34	205
Other services	130	172	0	18
	3,919	**3,531**	**2,075**	**1,613**
Other auditing firms				
Audit assignment	37	35	–	–
Audit work apart from the audit assignment	–	–	–	–
Tax consultancy	–	–	–	–
Other services	–	–	–	–
	37	**35**	**0**	**0**

Audit activities apart from audit assignments refer to various forms of quality assurance services resulting in reports, certificates etc., administration and advisory services or other assistance resulting from observations made during such review, or carrying out of other similar duties.

Audit activities apart from audit assignments refer to various forms of quality assurance services resulting in reports, certificates etc., including review of interim reports. Tax consultancy services include advice relating to tax, VAT and private taxation. Everything else is regarded as other services.

Note 8 Other operating income

	Group		Parent Company	
	Sep 19–Aug 20	Sep 18–Aug 19	**Sep 19–Aug 20**	Sep 18–Aug 19
Profit from disposal of property, plant and equipment and intangible assets	0	0	–	–
Forwarding of other expenses to franchisees	4,274	7,330	–	–
Invoiced services and rents	2,394	466	–	445
Reorientation support	11,522	–	–	–
Partner remuneration	4,270	–	–	–
Net sales, other	24,290	21,792	154	4,369
	46,750	**29,588**	**154**	**4,814**

Note 9 Interest expenses and similar profit/loss items

In 2019/2020, interest expenses and similar profit/loss items totaled SEK -95,809,000 (-34,593,000), of which interest expenses for leasing were SEK -58,524,000 (0). Parent Company interest expenses and similar profit/loss items were SEK -32,168,000 (SEK -28,532,000) in 2019/2020.

Note 10 Income tax

Tax on net income for the year

	Group		Parent Company	
	Sep 19–Aug 20	Sep 18–Aug 19	**Sep 19–Aug 20**	Sep 18–Aug 19
Current tax	-269	-43	–	–
Effect of tax change attributable to previous years	-268	115	–	–
Deferred tax	–	–	–	–
	-537	**72**	**0**	**0**

Deferred tax for the year

	Group		Parent Company	
	Sep 19–Aug 20	Sep 18–Aug 19	**Sep 19–Aug 20**	Sep 18–Aug 19
Deferred tax income pertaining to other temporary differences	–	–	–	–
Deferred tax expense pertaining to other temporary differences	–	–	–	–
	0	**0**	**0**	**0**

Tax pertaining to items recognized directly in equity

	Group		Parent Company	
	Sep 19–Aug 20	Sep 18–Aug 19	**Sep 19–Aug 20**	Sep 18–Aug 19
Other tax effect[1]	2,094	–	2,094	–
Unutilized tax effect resulting from unrecognized effects of loss carry-forwards	-2,094	–	-2,094	–
	0	**0**	**0**	**0**

1 Other tax effect relates to tax charged directly against equity attributable to the costs of this year's new share issue. The tax effect for the year corresponds to 21.4 percent of share issue expenses totaling SEK 9,783,000 for the year.

Note 10 Cont.

Difference between the Group's tax expense and tax expense based on the current tax rate

	Group		Parent Company	
	Sep 19–Aug 20	Sep 18–Aug 19	**Sep 19–Aug 20**	Sep 18–Aug 19
Reported profit before tax	-434,259	-142,556	-253,455	-35,047
Reported profit before tax	**-434,259**	**-142,556**	**-253,455**	**-35,047**
Tax according to current tax rate, 21.4% (22%)	92,931	31,362	54,239	7,710
Tax effect of non-deductible items				
-Impairment of participations in subsidiaries	–	–	-10,486	-11,000
-Impairment of goodwill	-39,376	-14,300	–	–
- Impairment of receivables from associated companies	–	–	-32,919	–
-Profit from divestment of subsidiaries	-1,019	–	–	–
- Non-deductible items	-6,060	–	-4,501	
-Other, non-deductible	-3,962	-431	-1,507	-101
Tax effect of non-deductible items				
-Dividend received	–	–	209	20,896
-Profit from divestment of associated companies	211	–	–	–
-Other, non-taxable	57	1,450	–	–
Tax pertaining to items recognized directly in equity	2,094	–	2,094	–
Effect of tax change attributable to previous years	-268	115	–	–
Effect of other tax rates in foreign subsidiaries	255	157	–	–
Unutilized loss carry-forwards	-46,188	-22,142	-7,129	-17,505
Recognized loss carry-forwards, previously not recorded	788	3,861	–	–
Tax on net income for the year	**-537**	**72**	**0**	**0**

Temporary differences relating to the following items resulted in deferred tax liabilities and deferred tax assets:

	Group		Parent Company	
	Aug 31, 20	Aug 31, 19	**Aug 31, 20**	Aug 31, 19
Deferred tax liabilities				
Receivable, reorientation support	2,466	–	–	–
Derivative receivables	–	1,596	–	–
Deferred tax assets				
Unutilized loss carry-forwards	–	-1,596	–	–
Leasing	-2,466	–	–	–
Derivative liabilities	–	0	0	0
	0	**0**	**0**	**0**

Given the past earnings trend, deferred tax assets attributable to loss carry-forwards, leasing, and derivatives liabilities in the Group and Parent Company are recognized only insofar as deferred tax liabilities exist against which to offset them. Unutilized, unrecognized loss carry-forwards are found in both the Group's foreign and Swedish entities. These amounted to SEK 948,547,000 (778,845,000) in total, and are allocated as follows between the various countries: Sweden SEK 582,974,000 (386,471,000), Norway SEK 119,278,000 (138,831,000), Denmark SEK 131,177,000 (134,850,000) and Germany SEK 115,118,000 (118,693,000). The loss carry-forwards are not subject to any time limitation.

Deferred tax assets and tax liabilities are offset against each other if there is a legal right to offset the particular tax assets and tax liabilities, and if the deferred tax pertains to the same tax authority. After such offsetting, the following amounts arose and were recognized in the Balance Sheet:

	Group		Parent Company	
	Aug 31, 20	Aug 31, 19	**Aug 31, 20**	Aug 31, 19
Deferred tax assets	2,466	0	0	0
Deferred tax liabilities	-2,466	0	–	–
	0	**0**	**0**	**0**

Note 11 Earnings per share

RNB has no outstanding equity instruments that imply dilution. Calculation of the average number of shares was based on the following reconciling items.

	Number of shares at end of period	
Period	**Sep 19–Aug 20**	Sep 18–Aug 19
Sep 1 - August 31	101,736,528	33,912,176

The average number of outstanding shares based on the above amounted to 83,390,597 (33,912,176).

Earnings per share is obtained by dividing net income for the year by the average number of shares.

Note 12 Software and other intellectual property

Group	Aug 31, 20	Aug 31, 19
Opening cost	101,427	88,950
Purchases in the year	2,941	23,052
Divestments and disposals in the year	-490	-10,617
Translation difference	-197	42
Closing accumulated cost	**103,681**	**101,427**
Opening depreciation and amortization	-49,310	-46,708
Disposals in the year	128	9,065
Depreciation and amortization in the year	-12,340	-11,640
Translation difference	124	-28
Closing accumulated depreciation and amortization	**-61,398**	**-49,310**
Opening impairment	-4,577	0
Disposals in the year	0	0
Depreciation and amortization in the year	0	-4,577
Closing accumulated depreciation and amortization	**-4,577**	**-4,577**
Opening planned residual value	**37,706**	**47,540**

Current year acquisitions relate to externally acquired assets, adjusted to the company. The Group's non-current assets include lease items pertaining to an IT platform held on the basis of lease agreements with a cost of SEK 2,814,000 (2,814,000) and accumulated depreciation and amortization of SEK 2,814,000 (2,814,000). This implies a book value of SEK 0 (0).

Parent Company	Aug 31, 20	Aug 31, 19
Opening cost	70,544	78,228
Divestments and disposals in the year	-7,937	-29,082
Purchases in the year	1,645	21,398
Closing accumulated cost	**64,252**	**70,544**
Opening depreciation and amortization	-42,758	-38,200
Divestments and disposals in the year	128	6,210
Depreciation and amortization in the year	-4,933	-10,768
Closing accumulated depreciation and amortization	**-47,563**	**-42,758**
Opening impairment	-4,577	0
Depreciation and amortization in the year	0	-4,577
Closing accumulated depreciation and amortization	**-4,577**	**-4,577**
Opening planned residual value	**12,112**	**23,209**

Current year acquisitions relate to externally acquired assets, adjusted to the company.

Note 13 Rental rights

Group	Aug 31, 20	Aug 31, 19
Opening cost	88,622	97,228
Purchases in the year	0	0
Divestments and disposals in the year	-2,763	-8,606
Translation difference	0	0
Closing accumulated cost	**85,859**	**88,622**
Opening depreciation and amortization	-82,571	-82,786
Divestments and disposals in the year	2,429	1,297
Depreciation and amortization in the year	-919	-1,082
Translation difference	0	0
Closing accumulated depreciation and amortization	**-81,061**	**-82,571**
Opening impairment	-2,546	-9,497
Disposals in the year	0	6,951
Closing accumulated depreciation and amortization	**-2,546**	**-2,546**
Opening planned residual value	**2,252**	**3,505**

Note 14 Goodwill

Group	Aug 31, 20	Aug 31, 19
Opening cost	335,229	399,723
Purchases in the year		
Depreciation and amortization in the year	-184,000	-65,000
Translation difference	-86	506
Closing accumulated cost	**151,143**	**335,229**

Goodwill item allocated by segment:

	Aug 31, 20	Aug 31, 19
Brothers & Sisters	54,668	97,668
Departments & Stores	27,445	168,445
Polarn O. Pyret	69,030	69,116
Closing accumulated cost	**151,143**	**335,229**

Goodwill represents future economic synergies resulting from previous years' acquisitions, that cannot be independently identified or recorded separately. This includes more streamlined logistics, organizational mergers, store establishments and more favorable purchasing terms from external suppliers.

Impairment testing of goodwill
Impairment testing is carried out by calculating value-in-use on a segment-by-segment basis. The calculations are based on forecast cash flows over the period based on the budget and strategic plans generated in April-May 2020. The key parameters are revenue, operating income, working capital, investments and WACC. Future cash flows are calculated on the basis of present conditions, i.e. planned store expansions and other growth plans are not included in the cash flow forecasts. The cash flows of the operating segments are affected by commercial factors such as changed purchasing patterns, market growth, competitiveness, margins, cost trends, investment levels and tied-up working capital. Additional assessments of factors such as interest rates, cost of borrowing, market risk, beta values and tax rates are carried out in connection with discounting. Forecast cash flows during the terminal period are based on an annual growth rate of 0.2 percent (0.2). This is based on an assessment of the future long-term market growth rate at the time of impairment testing. Forecast cash flows have been calculated at present value based on a discount rate of 11.0 percent (9.0) after tax. The discount rate reflects the market assessment of monetary values over time and the specific risks that pertain to the asset for which estimates of future cash flows have not been adjusted. A higher discount rate has been applied as a result of higher applied risk premiums due to increased uncertainty in the market climate. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

Outcome from impairment testing of goodwill
Impairment testing resulted in goodwill impairment of SEK 141,000,000 for Departments & Stores, and goodwill impairment of SEK 43,000,000 for Brothers. Impairment is reported under "Goodwill impairment" in the Income Statement. On the basis of recent developments, the companies included in impairment testing have assumed lower sales and profit levels compared to earlier tests. The reason for the impairment is decreased operating income due to the Covid-19 pandemic, which has affected visitor numbers, resulting in lower sales. This is expected to have a continued negative impact on sales. The subsidiaries have implemented decisive measures to improve profitability, such as lowering personnel costs. Costs of premises, which is a major cost for the subsidiaries, have been reduced in the short term, and somewhat in the long term, although it has not been possible to persuade landlords to decrease the cost of premises in the longer term. Against this background, the long-term assumptions have been adjusted down which, in combination with increased WACC, implied a need for goodwill impairment in the segments Departments & Stores and Brothers. In November 2020, the tests have been updated for the monthly profit figures for September and October. The updated tests did not result in goodwill impairment for any of the segments.

Sensitivity analysis Departments & Stores and Brothers
After taking into account this year's goodwill impairment, a general analysis of the sensitivity of the variables applied to the segments Departments & Stores and Brothers was carried out. After this year's impairment, a lower annual growth rate and a higher discount rate imply an impairment need for Department & Stores' recognized value of goodwill. In order to justify the book value of goodwill, the segment would require sustainable operating income of some SEK 24 M, corresponding to sustainable cash flow of some 19 M. A negative departure of SEK 10 M from sustainable operating income of SEK 24 M would affect the value of goodwill in the range of SEK 50 M. For Brothers, the segment requires an initial sustainable operating income of just under SEK 24 M, corresponding to a sustainable cash flow of just under SEK 19 M. A departure of SEK 10 M from sustainable operating income of just under SEK 24 M would affect the value of goodwill by some SEK 50 M.

Other key assumptions Departments & Stores and Brothers
In addition to the above, comments on a number of the assumptions linked to the assessment of Departments & Stores' and Brother future cash flows can be found below:

Sales
Over the last five years, visitor and customer numbers in the Departments & Stores operating segment have declined. Several significant factors influence department store sales. The Covid-19 pandemic more than halved paying customer numbers in the third quarter, and virtually all tourist visitors disappeared. Extensive construction work has been carried out in central Stockholm, and directly adjacent to the department store, since 2014. This has negatively affected the shopping experience and pedestrian traffic in the area around the department store. The district of Brunkebergstorg is being regenerated as a social hub in central Stockholm. Over the last five years, the Gallerian shopping mall has undergone a major transformation as part of the extensive development project Urban Escape. The Sergelstan refurbishment project. The project encompasses three buildings to be developed into offices, hotel, retail space and residences. Hamngatspalatset, which is expected to offer both office space and shops, is adjacent to the NK department store. The purchasing patterns of modern customers show a growing trend towards e-commerce. NK has a newly launched e-commerce platform which cannot offset the declining customer and visitor numbers. The value offering provided by the Brothers operating segment in recent years has not been well received by customers, and has implied lower full-price sales. At the same time, the market share of tailored shirts and suits has decreased. This has negatively affected Brothers which focuses on this segment.

Gross margins
The calculation is based on the assumption that the gross margin used in the strategic plans remains unchanged against the previous year's budget. Gross margin is affected by several different factors, including purchasing prices, sales/discounting and exchange rate fluctuations, in RNB's case against the SEK. All things being equal, lower purchasing prices imply a higher gross margin, sales/discounting implies a lower gross margin, and a weaker SEK implies higher purchasing prices for purchasing in currencies other than SEK, which results in a lower gross margin. A sensitivity analysis regarding the impact of gross margin on sustainable operating income indicates that a decrease in gross margin of 1 percentage point against forecast affects sustainable operating income negatively by just under SEK 10 M in Departments & Stores and by some SEK 5 M in Brothers. This would entail goodwill impairment of SEK 27 M for Departments & Stores, and no goodwill impairment for Brothers.

Costs
External overheads are essentially expected to increase in line with sales, except some group-wide costs that are expected to grow in line with inflation.

Personnel expenses
Forecast personnel expenses are based on forecast inflation, a degree of growth in real wages and planned rationalizations. Personnel expenses are clearly the largest cost item in the Brothers operating segment, corresponding to some 41 percent of total costs. A change in personnel costs of 1 percent annually would affect sustainable operating income by SEK 1.0 M and would not generate a need for goodwill impairment. Personnel expenses are one of Departments & Stores' two largest cost items, corresponding to some 44 percent of total costs. A change in personnel costs of 1 percent annually would affect sustainable operating income by some SEK 1.7 M and would generate a goodwill impairment of SEK 6 M.

Note 14 Cont.

Cost of premises
The anticipated cost of premises is based on forecast inflation, rent adjustments and renegotiated contracts. The cost of premises corresponds to some 44 percent of Departments & Stores' total costs. A change in costs of 1 percent annually would affect sustainable operating income by SEK 1.7 M and would generate a goodwill impairment of SEK 6 M. The cost of premises corresponds to just under 25 percent of Brothers' total costs. A change in costs of 1 percent annually would affect sustainable operating income by SEK 0.6 M and would not generate a need for goodwill impairment. Measures aimed at improving the trend for both operating segments have been implemented previously and especially in the current year, including store closures, refurbishments, rationalizations, streamlining of logistics, reductions of head office and in-store staff, and fashion range restructuring.

Sensitivity analysis for Polarn O. Pyret
A general analysis of the sensitivity of the variables applied to the segment Polarn O. Pyret has been carried out. The assumption of a decrease in the annual growth rate from 0.2 percent to 0 percent in the terminal period does not imply any impairment need in respect of the recognized value of goodwill. The assumption of an increase in the discount rate from 11 percent to 12 percent, or 13 percent after tax, does not generate a need for goodwill impairment. For Polarn O. Pyret, a combination of the aforementioned changed assumptions would not result in any impairment need. In order to justify the book value of goodwill, the segment would require sustainable operating income of some SEK 40.0 M corresponding to sustainable cash flow of approximately SEK 31.6 M after tax. A negative discrepancy of SEK 15 M from the sustainable operating income of SEK 40 M does not affect the assessment of the need for goodwill impairment. Discrepancies in forecast cash flows during individual years affect impairment testing, although the critical factor for the model is expected sustainable operating income and cash flow. Personnel costs and costs of premises are Polarn O. Pyret's two main expenses. Personnel costs correspond to approximately 46 percent of Polarn O. Pyret's total costs. A change of 1% annually would affect sustainable operating income by some SEK 1.8 M. The cost of premises correspond to some 20 percent of Polarn O. Pyret's total costs. A change of 1 percent annually would affect sustainable operating income by some SEK 0.8 M.

Note 15 Equipment and store fittings

Group	Aug 31, 20	Aug 31, 19
Opening cost	424,246	395,841
Purchases in the year	20,729	37,830
Divestments and disposals in the year	-60,481	-10,191
Translation difference	-363	766
Closing accumulated cost	**384,131**	**424,246**
Opening depreciation and amortization	-338,597	-318,575
Divestments and disposals in the year	56,311	8,801
Depreciation and amortization in the year	-27,717	-28,031
Translation difference	-216	-792
Closing accumulated depreciation and amortization	**-310,219**	**-338,597**
Opening impairment	-831	0
Depreciation and amortization in the year	0	-831
Closing accumulated depreciation and amortization	**-831**	**-831**
Opening planned residual value	**73,081**	**84,818**

The Group's non-current assets include lease items pertaining store fittings held on the basis of lease agreements with a cost of SEK 5,025,000 (5,025,000) and accumulated depreciation and amortization of SEK 5,025,000 (5,025,000). This implies a book value of SEK 0 (0).

Parent Company	Aug 31, 20	Aug 31, 19
Opening cost	10,977	11,163
Purchases in the year	0	265
Divestments and disposals in the year	0	-451
Closing accumulated cost	**10,977**	**10,977**
Opening depreciation and amortization	-8,653	-7,381
Divestments and disposals in the year	0	281
Depreciation and amortization in the year	-798	-1,553
Closing accumulated depreciation and amortization	**-9,451**	**-8,653**
Opening impairment	-831	0
Disposals in the year	0	0
Depreciation and amortization in the year	0	-831
Closing accumulated depreciation and amortization	**-831**	**-831**
Opening planned residual value	**695**	**1,493**

All lease agreements in the Parent Company are recognized as operating leases, irrespective of whether they are financial or operating.

Note 16 Participations in subsidiaries

Company	Corp. ID no.	Reg. office	No.	Share of equity (%)	Carrying amount
Ängsviol Blomstern AB	556539-1926	Stockholm, Sweden	1,000	100	–
Polarn O. Pyret AB	556235-7383	Stockholm, Sweden	10,000	100	106,000
PO.P International IP AB	556889-3704	Stockholm, Sweden	500	100	–
PO.P International OTH AB	556889-3613	Stockholm, Sweden	500	100	–
PO.P International Suomi AB	556890-1630	Stockholm, Sweden	500	100	–
Kids Company Oy	2016120-7	Helsinki, Finland	40,800	51	–
Pyret Estonia OÜ	14,696,592	Tallinn, Estonia	1	100	–
PO.P International UK AB	556899-3654	Stockholm, Sweden	500	100	–
Polarn O. Pyret Norge AS	985,983,860	Oslo, Norway	4,597	100	–
RNB Far East Ltd.	1,642,223	Hong Kong	1	100	–
Portwear AB	556188-7513	Stockholm, Sweden	1,911,680	100	210,654
Departments & Stores Europe AB	556541-8778	Stockholm, Sweden	810,000	100	–
Departments & Stores Denmark ApS	30 27 43 18	Copenhagen, Denmark	1	100	–
Brothers & Sisters AB	556468-8991	Stockholm, Sweden	37,147,880	100	146,000
Brothers AB	556513-6826	Stockholm, Sweden	1,000	100	–
RNB Retail and Brands Norge AS	961,313,880	Oslo, Norway	500	100	–
Nordic Textile Grosshandels GmbH	HR B 52245	Cologne, Germany	1	100	–
RNB Retail Development AB	559135-4518	Stockholm, Sweden	500	100	50
Carrying amount					**462,704**

The share of equity and share of voting rights are the same in all companies.

Parent Company	Aug 31, 20	Aug 31, 19
Opening carrying amount	511,704	561,704
Investment in the year	–	–
Impairment in the year	-49,000	-50,000
Closing carrying amount	**462,704**	**511,704**

Impairment testing carried out resulted in impairment of shares in subsidiaries totaling SEK 39 M for the subsidiary Brothers AB and SEK 10 M for the subsidiary Departments & Stores Europe AB. For more information relating to impairment of shares in subsidiaries, see Note 1.

Note 17 Holdings in associated companies

Group	Aug 31, 20	Aug 31, 19
Profit from associated companies	0	-11
Recognized in profit for the year	**0**	**-11**
Other comprehensive income from associated companies	0	0
Total comprehensive income from associated companies	**0**	**-11**

Associated companies	Aug 31, 20	Aug 31, 19
Recognized amount, opening balance	14	25
Current profit share	0	-11
Disposals in the year	-14	0
Recognized amount, closing balance	**0**	**14**

Note 18 Non-current receivables

Group	Aug 31, 20	Aug 31, 19
Opening cost	8,723	13,467
Additional receivables	11,794	2,829
Amortization, deductible receivables	-7,980	-7,572
Closing accumulated cost	**12,537**	**8,724**
Closing carrying amount	**12,537**	**8,724**

Parent Company	Aug 31, 20	Aug 31, 19
Opening cost	7,616	5,302
Additional receivables	0	2,314
Amortization, deductible receivables	-7,616	–
Closing accumulated cost	**0**	**7,616**
Closing carrying amount	**0**	**7,616**

Receivables of SEK 0 (5,000,000) in the Parent Company and Group relate to investments of cash and cash equivalent in blocked accounts. Other long-term receivables comprise blocked funds and deposits.

Note 19 Inventories

Group	Aug 31, 20	Aug 31, 19
Carrying amount by segment		
Brothers	79,718	110,685
Departments & Stores	166,587	173,800
Polarn O. Pyret	132,255	173,922
Closing carrying amount	**378,560**	**458,407**

Of total recognized inventories of SEK 378,560,000 (458,407,000), SEK 10,998,000 (27,700,000) represents net realizable value less selling expenses. The remainder was recognized at cost. Inventory recognized at cost in the year amounted to 1,017,940,000 (1,217,383,000) Inventories include the right to receive returned items, amounting to SEK 1.6 M as of August 31, 2020, for more information see Note 1 - Income.

Note 20 Prepaid expenses and accrued income

Group	Aug 31, 20	Aug 31, 19
Prepaid rent	14,670	36,705
Prepaid other expenses	61,043	44,917
Accrued income	24,418	10,791
	100,130	**92,413**

Parent Company	Aug 31, 20	Aug 31, 19
Prepaid rent	1,333	910
Prepaid leasing	0	31
Prepaid other expenses	1,746	5,463
	3,079	**6,404**

Note 21 Cash and cash equivalents

Cash and cash equivalents are held in the following currencies.

Group	Exchange rate Aug 31, 20	Exchange rate Aug 31, 19	Aug 31, 20	Aug 31, 19
SEK			108,886	1,281
NOK	0.98	1.08	24,483	1,679
DKK	1.38	1.45	0	0
USD	8.64	9.79	814	0
EUR	10.28	10.81	23,274	5,838
HKD	1.12	1.25	3,671	1,851
			161,128	**10,649**

Parent Company	Exchange rate Aug 31, 20	Exchange rate Aug 31, 19	Aug 31, 20	Aug 31, 19
SEK			0	0
NOK	0.98	1.08	0	0
EUR	10.28	10.81	0	0
USD	8.64	9.79	0	0
			0	**0**

Note 22 Equity and proposed distribution of earnings

As of August 31, 2020, there were 101,736,528 (33,912,176) shares with a quotient value of SEK 0.3 (6.0) each. All shares are common shares. The Group's reserve of translation differences amounted to SEK -14.2 M (-13.8) and the hedge reserve totaled SEK 0 M (7.9).

During the year, a preferential rights issue raised SEK 74.9 M after issue expenses.

Proposed distribution of earnings

The following funds are at the disposal of the Annual General Meeting, SEK:	Aug 31, 20	Aug 31, 19
Retained earnings	268,495,379	55,654,950
Net income for the year	-253,454,843	-35,047,093
	15,040,536	**20,607,857**
The Board proposes that retained earnings be allocated as follows:		
Carried forward	15,040,536	20,607,857
	15,040,536	**20,607,857**

Note 23 Interest-bearing liabilities

Group	Aug 31, 20	Aug 31, 19
Non-current liabilities		
Corporate bond	412,283	397,238
Liability relating to contingent purchase consideration	0	22,848
Long-term lease liabilities	657,007	–
	1,069,290	**420,086**
Current liabilities		
Overdraft facility	61,469	32,903
Liability relating to contingent purchase consideration	21,359	–
Current lease liabilities	168,014	–
	250,842	**32,903**

Parent Company	Aug 31, 20	Aug 31, 19
Non-current liabilities		
Corporate bond	412,283	397,238
	412,283	**397,238**
Current liabilities		
Overdraft facility	61,469	32,903
	61,469	**32,903**

Maturity structure of long-term borrowing:

	Group		Parent Company	
	Aug 31, 20	Aug 31, 19	Aug 31, 20	Aug 31, 19
Between 1 and 2 years	180,544	420,086	–	397,238
Between 2 and 5 years	710,384	–	412,283	–
More than 5 years	178,362	–	–	–
	1,069,290	**420,086**	**412,283**	**397,238**

Note 23 Cont.

Corporate bond

The bond loan totals SEK 400 M before issue expenses, within a framework amount of SEK 600 M, and matures on February 2, 2023. The bond loan is subject to variable interest of Stibor 3m + 6.0% with quarterly interest payments. The bond is subject to covenants regarding new borrowing and payments, for example dividend. The bond is secured through joint and several guarantee by RNB's major subsidiaries, and by the shares in these subsidiaries acting as collateral. The bond loan was listed on Nasdaq Stockholm in March 2018. The liability of SEK 400 M originates from the acquisition of JC in 2006.

In October 2019, bond holders approved the extension of the bond loan until February 2, 2023, adjusting the definition of permissible debt, the amount to be paid upon final maturity was adjusted to 106 percent and the dates for voluntary buy-back were changed.

The corporate restructuring means that certain bond covenants have been breached, although this does not affect the term. Since March 2020, the interest has been expensed but not paid. Unpaid interest increased the outstanding bond debt. Several written proceedings have been carried out as a result of the breaches. These proceedings have implied updated terms, such as freezing payments for interest payments on bonds until January 2021 at least. The bond holders and Danske Bank have approved these new terms. No transactions were completed on Nasdaq Stockholm in the financial year.

After the end of the financial year: In October 2020, three transactions of SEK 2 M each were completed under the bond on Nasdaq Stockholm. The transactions were completed on the basis of a value of 22 percent.

Liability relating to contingent purchase consideration

The acquisition agreement relating to Kids Company Oy includes a combined put/call option on the same terms for the remaining 49 percent of the shares that can be exercised in September 2020 at the earliest. This is reported as a liability relating to contingent purchase consideration and has been valued at fair value. Fair value on this liability has been calculated on the basis of parameters specified in the option agreement, of which the most significant are based on forecast operating income before depreciation and amortization for the coming years. Changes in fair value on this liability has been recognized under Interest expenses etc in the Income Statement.

Polarn O Pyret and its master franchisee in the US are party to an option agreement regarding buying or selling all the shares in the master franchisee's company or the equivalent assets in the company. The put and call options are subject to different terms. The option agreement can be exercised during specific months in the period 2019- 2021. The Group assesses that under the agreement and on the basis of current operational profitability and applicable contract terms, the put and call options both had an estimated fair value of SEK 0 as of August 31, 2020.

Note 24 Overdraft facility

The overdraft facility is held in the following currencies.

Group	**Exchange rate Aug 31, 20**	Exchange rate Aug 31, 19	**Aug 31, 20**	Aug 31, 19
SEK	–	–	61,469	26,211
NOK	0.98	1.08	0	27,191
DKK	1.12	1.45	0	-17
USD	8.64	9.79	0	-1,177
EUR	10.28	10.81	0	-19,305
HKD	1.12	1.25	0	0
			61,469	**32,903**

Parent Company	**Exchange rate Aug 31, 20**	Exchange rate Aug 31, 19	**Aug 31, 20**	Aug 31, 19
SEK			61,469	26,211
NOK	0.98	1.08	0	27,191
DKK	1.12	1.45	0	-17
USD	8.64	9.79	0	-1,177
EUR	10.28	10.81	0	-19,305
HKD	1.12	1.25	0	0
			61,469	**32,903**

The Group and Parent Company's approved overdraft facility with Danske Bank, which is not included in cash and cash equivalents , amounted to SEK 70 M (80) as of August 31, 2020. The overdraft facility is on a rolling 3-month basis and has been extended to December 20, 2020. The average interest rate in the year was 2.00% (2.55%). There are no special financial covenants associated with the overdraft facility.

The Group's central account system with Danske Bank was closed and terminated in January 2020. The central account system was used to offset surpluses and deficits in the subsidiaries' bank accounts, to offset exchange rate differences and to centralize total Group liquidity in the Parent Company's main account. The increased overdraft in the Parent Company in the year was due to the closure of this account.

The Parent Company's credit limit with Danske Bank amounts to SEK 110 M (120), of which SEK 70 M (80) relates to an overdraft facility and SEK 40 M (40) to credit limits for guarantees and credit notes.

Note 25 Trade payables

Trade payables are held in the following currencies.

Group	**Exchange rate Aug 31, 20**	Exchange rate Aug 31, 19	**Aug 31, 20**	Aug 31, 19
SEK			211,583	140,981
NOK	0.98	1.08	3,701	3,870
DKK	1.12	1.45	53	273
USD	8.64	9.79	4,363	23,799
EUR	10.28	10.81	8,193	46,282
GBP	11.51	11.93	81	-12
HKD	1.12	1.25	0	0
			227,974	**215,193**

The payment terms of trade payables are 10-90 days.

Parent Company	**Exchange rate Aug 31, 20**	Exchange rate Aug 31, 19	**Aug 31, 20**	Aug 31, 19
SEK			2,777	14,619
NOK	0.98	1.08	0	0
USD	8.64	9.79	0	0
EUR	10.28	10.81	0	1,211
			2,777	**15,830**

The payment terms of trade payables are 10-90 days.

Note 26 Other liabilities

Group	Aug 31, 20	Aug 31, 19
Value added tax	62,649	24,951
Personnel-related taxes	9,782	20,595
Club card bonus and returns	9,316	10,078
Liability relating to contingent purchase consideration	21,359	–
Liability, salary guarantee	142,902	–
Other	18,660	14,780
	264,668	**70,404**

Parent Company	Aug 31, 20	Aug 31, 19
Value added tax	588	5,717
Personnel-related taxes	303	501
Other	231	6,974
	1,122	**13,192**

Note 27 Accrued expenses and deferred income

Group	Aug 31, 20	Aug 31, 19
Accrued vacation and payroll liabilities	26,704	61,489
Accrued social security expenses	6,051	17,781
Accrued interest	304	6,368
Other accrued expenses	32,253	36,167
Gift vouchers	11,532	13,915
	76,844	**135,719**

Parent Company	Aug 31, 20	Aug 31, 19
Accrued vacation and payroll liabilities	1,908	4,599
Accrued social security expenses	590	1,445
Accrued interest	304	6,368
Other accrued expenses	5,667	9,293
	8,469	**21,705**

Note 28 Assets pledged

For liabilities to credit institutions and overdraft facilities

Group	Aug 31, 20	Aug 31, 19
Chattel mortgages	–	–
Mortgaged bank balances	11,141	5,000
Shares in subsidiaries	131,557	539,273
	142,698	**544,273**

Parent Company	Aug 31, 20	Aug 31, 19
Mortgaged bank funds	–	5,000
Shares in subsidiaries	462,654	511,654
	462,654	**516,654**

Note 29 Contingent liabilities

Parent Company	Aug 31, 20	Aug 31, 19
Guarantee on behalf of subsidiaries	18,901	17,420
	18,901	**17,420**

Guarantees mainly relate to store rents.

Note 30 Leases

The effect of the transition to IFRS 16 on the Group's lease contracts is described in Note 1 New and revised accounting and valuation principles. The method the Group has chosen to apply in the transition to IFRS 16 implies that the comparative information has not been remeasured to reflect the new criteria.

Right-of-use asset, premises

	Aug 31, 20
Opening balance, right-of-use	1,206,523
Depreciation and amortization in the year	-233,819
Impairment in the year	-29,423
Additional lease contracts	23,117
Revalued contracts	-112,000
Terminated contracts	-81,626
Closing balance	**772,772**

Impairment
During the year, the Group's impairment of Right-of-use assets totaled SEK 29,423,000. The impairment relates to store closures where the right of use of the premises has been cancelled and premises vacated, the impairment of these right-of-use assets was based on a value of SEK 0.

Lease liabilities
Maturity of the Group's lease liabilities, see Note 36.

Amounts recognized in Consolidated Comprehensive Income	Sep 19–Aug 20
Depreciation and amortization of right-of-use assets	-233,819
Impairment of right-of-use assets	-29,423
Interest on lease liabilities	-58,524
Variable lease charges	-8,681
Rent discounts recognized in accordance with the concession rule	48,632
Costs for short-term leases	-14,921
Costs for leases of low value, excluding short-term leases of low value	-3,477
Total profit effect attributable to lease contracts	**-300,213**

At the end of the financial year 2019/2020, some contracts were renegotiated to revenue-based rents, something which is set to increase in coming periods.

Amounts recognized in Consolidated Comprehensive Income	Sep 19–Aug 20
Total cash outflows attributable to lease contracts	**-244,324**

The above cash outflows include amounts for lease contracts recognized as lease liabilities, amounts paid for variable lease charges, short-term leases and leases of low value.

Note 30 Cont.

Group and Parent Company

The Group and the Parent Company have entered into lease contracts for stores and offices subject to the following non-cancelable lease commitments. In the Parent Company, and in the comparative year also for the Group, the contracts have been classified as operating leases.

	Group	Parent Company	
Charges in the financial year	Sep 18 –Aug 19	**Sep 19 –Aug 20**	Sep 18 –Aug 19
Operating lease contracts	270,370	11,441	12,910

This relates exclusively to fixed minimum charges. In addition, assumptions include variable revenue-based rent levels. Fixed rental charges amounted to SEK 285,895,000 for the financial year 2018/2019 and revenue-based charges to SEK 8,681,000 (7,214,000).

The Group's future commitments for lease and rental contracts are as follows:

	Group	Parent Company	
Fees due	Aug 31, 19	**Aug 31, 20**	Aug 31, 19
Within 1 year	276,640	5,596	11,514
Within 2- 5 years	405,810	6,350	7,452
More than 5 years	15,556	0	500

This refers to fixed and variable rental charges.

Of the future lease commitments listed above, SEK 0 (0) comprises financial lease contracts in the Group. This amount refers to undiscounted lease commitments.

Note 31 Statement of Cash Flow

Adjustments for items not included in cash flow

Group	**Aug 31, 20**	Aug 31, 19
Depreciation and amortization	304,219	46,740
Capital gain on sales of non-current assets	4,395	875
Impairment of goodwill	184,000	65,000
Profit/loss from divestment of Company	4,764	–
Reorientation support	-11,522	–
Rent discounts, concession rule	- 48,632	–
Other adjustments	–	2,679
	437,224	**115,294**

Parent Company	**Aug 31, 20**	Aug 31, 19
Depreciation and amortization	5,732	17,730
Other non-current liabilities	-2,679	2,679
	3,053	**20,409**

Change in liabilities attributable to financing operations

Group	Aug 31, 19	Other changes	Cash flow	Currency and market revaluation	**Aug 31, 20**
Overdraft facility	32,903		28,566		61,469
Corporate bond	397,238		15,045		412,283
Contingent purchase consideration	22,848			-1,489	21,359
Leasing liabilities	0	993,442	-168,421		825,021
Liabilities to credit institutions			0		0
	452,989		**-124,810**	**-1,489**	**1,320,132**

Parent Company	Aug 31, 19	Cash flow	Currency and market revaluation	**Aug 31, 20**
Overdraft facility	32,903	28,566		61,469
Corporate bond	397,238	15,045		412,283
	430,141	**43,611**	**0**	**473,752**

Note 32 Acquisitions and divestments of operations

Brothers Clothing Oy entered into liquidation in the financial year 2019/2020. This means that the company is no longer consolidated in the Group from April 17, 2020. The Group does not expect to receive any compensation.

The Group value of the assets and liabilities that existed at the time of deconsolidation of the company is presented below:

Post	Brothers Clothing OY
Store inventories	2,399
Inventories	13,886
Current receivables	2,724
Cash and cash equivalents	2,998
Current liabilities	-17,243
Loss for the Group	**4,764**
Cash and cash equivalent in divested operations	-2,998
Impact on the Group's consolidated cash and cash equivalents	**-2,998**

There were no acquisitions or divestments in the 2018/2019 financial year. Pyret Estonia OÜ is a new entity that was set up in the financial year.

Associated company Retailers Lab AB was divested in the financial year 2019/2020.

Note 33 Profit from participations in Group companies

Parent Company	Aug 31, 20	Aug 31, 19
Group contributions received	–	–
Dividend from subsidiaries	975	94,984
Impairment of participations in subsidiaries	-49,000	-50,000
Impairment of receivables in subsidiaries	-152,827	–
	-200,852	**44,984**

Note 34 Financial instruments

Financial assets

The financial assets that are available and utilized by the Group consist of cash and cash equivalents, trade receivables, loan receivables and accrued income. Carrying amounts correspond to the fair values of the relevant assets.

Cash and cash equivalents

Cash and cash equivalents are deposited in bank accounts at standard rates of interest. On 8/31/2020, cash and cash equivalents amounted to SEK 161,128,000 (10,649,000) for the Group and SEK 0 (0) for the Parent Company. In addition, there is SEK 0 (5,000,000) in blocked bank balances, which are recognized as non-current receivables.

Financial assets measured at fair value through profit or loss

Outstanding hedging and value on 8/31/2020:

Currency	Hedged volume	Fair value	No. of hedged months
EUR	–	–	0– 12 months
USD	–	–	0– 12 months
Total	**–**	**–**	

Value changes of currency derivatives are reported in the Statement of Comprehensive Income according to the information provided under Currency derivatives and hedge accounting in Note 1 Accounting principles. Changes in fair value of currency derivatives that do not comply with the requirements for hedge accounting are reported in profit/loss for the year. For more information see Note 9.

Financial liabilities

The financial liabilities available to, and utilized by, the Group consist of trade payables, overdraft facilities, loans from credit institutions, other loan liabilities including corporate bonds, accrued costs and liabilities for contingent purchase consideration. All amounts stated below under financial liabilities correspond to carrying amounts in the Group. Carrying amounts correspond to the fair value of the respective liabilities.

Trade payables

The Group's trade payables consist mainly of liabilities denominated in SEK, EUR and USD. The terms for payment of trades payable are 10- 90 days. Also refer to Note 25 for a description of the composition of trade payables by currency.

Overdraft facility Se not 24.

Other loans

see Note 23.

Note 34 Cont.

Group, August 31, 2020

Financial assets	Financial assets measured at fair value through profit or loss	Assets valued at accrued cost	Total
Trade receivables		29,782	29,782
Accrued income		12,896	12,896
Derivatives	–		0
Cash and cash equivalents		161,128	161,128
			203,806

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Leasing liabilities		825,021	825,021
Trade payables		227,974	227,974
Derivatives	–		0
Overdraft facility		61,469	61,469
Other loans	21,359	412,283	433,642
Other liabilities		231,777	231,777
Accrued expenses		33,059	33,059
			1,812,943

Group, August 31, 2019

Financial assets	Financial assets measured at fair value through profit or loss	Assets valued at accrued cost	Total
Trade receivables		42,336	42,336
Other receivables		21,316	21,316
Accrued income		10,791	10,791
Derivatives	7,256		7,256
Cash and cash equivalents		10,649	10,649
			92,348

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Trade payables		215,193	215,193
Derivatives	–		0
Overdraft facility		32,903	32,903
Other loans	22,848	397,238	420,086
Other liabilities		60,326	60,326
Accrued expenses		85,637	85,637
			814,145

Note 34 Cont.

Fair value hierarchy:
The Group has financial instruments in the form of liabilities relating to contingent consideration that are measured at fair value in the Balance Sheet. The Group uses the following hierarchy to classify instruments based on measurement techniques:

1. Quoted prices (not adjusted/unconfirmed) on active markets for identical assets or liabilities
2. Other input data than the quoted prices included in Level 1, observable for assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices)
3. Input data for assets or liabilities in question, which is not based on observable (non-observable input data)

2019/2020	Level 1	Level 2	Level 3	Carrying amount
Assets				
Financial assets at fair value through profit or loss:				
Currency derivatives		–		
Other financial assets:				
Trade receivables				29,782
Accrued income				12,896
Cash and cash equivalents				161,128
Liabilities				
Financial Liabilities at fair value through profit or loss:				
Currency derivatives		–		
Contingent purchase consideration			21,359	
Other financial liabilities:				
Trade payables				227,974
Loans from credit institutions				61,469
Other loans				412,283
Other liabilities				253,136
Accrued expenses				33,059

No transfers have occurred between levels during the financial year.

2018/2019	Level 1	Level 2	Level 3	Carrying amount
Assets				
Financial assets at fair value through profit or loss:				
Currency derivatives		7,256		
Other financial assets:				
Trade receivables				42,336
Other receivables				21,316
Accrued income				10,791
Cash and cash equivalents				10,649
Liabilities				
Financial Liabilities at fair value through profit or loss:				
Currency derivatives		–		
Contingent purchase consideration			22,848	
Other financial liabilities:				
Trade payables				215,193
Loans from credit institutions				32,903
Other loans				397,238
Other liabilities				60,326
Accrued expenses				85,637

No transfers have occurred between levels during the financial year.

Note 35 Transactions with related parties including Parent Company intra-group transactions

In the financial year, Brothers purchased services from companies in which Magnus Håkansson was a Director totaling SEK 13,000 (0). Pricing was on market terms. As of 8/31/2020, the RNB Group's outstanding debt to the company was SEK 16,000 (0). In the financial year, Brothers purchased services from companies in which Lina Söderqvist was a Director totaling SEK 0 (30,000). Pricing was on market terms. As of 8/31/2020, the RNB Group's outstanding debt to the company was SEK 0 (0). In the financial year, Departments & Stores purchased services from companies in which Lars Jungerth was a Director totaling SEK 1,690,000 (3,668,000) and sold goods totaling SEK 52,000 (50,000). Pricing was on market terms. The Directorship is directly related to the position as CEO of Departments & Stores. As of 8/31/2020, the Group's outstanding debt to the company was SEK 111,000 (0) and receivables SEK 0 (5,000). In the financial year, Departments & Stores purchased services from companies in which Magnus Håkansson was a Director totaling SEK 120,000 (0). Pricing was on market terms. As of 8/31/2020, the Group's outstanding debt to the company was SEK 0 (0) and receivables SEK 0 (0).

In the financial year, Polarn O. Pyret purchased services from companies in which Magnus Håkansson was a Director totaling SEK 0 (55,000). Pricing was on market terms. As of 8/31/2020, the Group's outstanding debt to the company was SEK 0 (0). In the financial year, the parent company purchased services from companies where the following individuals have a controlling interests or Directorships: Monika Elling SEK 0 (775) and Magnus Håkansson SEK 11,000 (41,000). Pricing was on market terms. As of 8/31/2020, the Group's outstanding debt to the Companies was SEK 0 (0).

Parent Company
Parent Company net sales of SEK 41,027,000 (103,495,000) relate to internal billed services to subsidiaries in their entirety. The Parent Company has purchased services from subsidiaries totaling SEK 585,000 (825,000).

Note 35 Cont.

For the financial year 2018/2019, the subsidiaries' share of debt/receivables in the Group's central accounts system with banks is reported in current liabilities/receivables with Group companies.

	Receivable		Liability	
Parent Company	**Aug 31, 20**	Aug 31, 19	**Aug 31, 20**	Aug 31, 19
Brothers & Sisters AB	6,250	24,869	–	–
Brothers Clothing Oy	–	–	–	9,059
Brothers AB	754	–	–	29,801
Departments & Stores Europe AB	18,838	50,232	–	–
Departments & Stores Denmark ApS	321	263	–	–
Kids Company Oy	–	4	–	–
Polarn O. Pyret AB	12,806	66,073	–	–
Polarn O. Pyret Norge AS	7,369	27,536	–	–
Portwear AB	5,527	22,110	–	–
RNB Far East Ltd.	–	1,396	–	–
RNB Retail and Brands Norge AS	–	–	–	188
RNB Retail Development	–	25	–	–
Ängsviol Blomstern AB	–	–	219	219
	51,865	**192,508**	**219**	**39,267**

Note 36 Financial risks

The Group's operations are exposed to several financial risks. The main risk areas are Market risk, credit risk and liquidity risk. The Group's financial risks is focused in a central function that operates on the basis of a finance policy determined by the Board of Directors. The finance policy sets out guidelines for handling financial risks and how to act on financial matters. Risk management focuses on securing the Group's short to medium term cash flows by minimizing exposure to the volatile financial markets. The Group does not actively trade financial assets for speculative purposes, nor issue options.

Market risk analysis
Market risk is the risk that the fair value of, or future cash flows from, a financial instrument varies due to changes in market prices. There are three types of market risk: currency, interest rate and other price risks.

Currency risk
The risk that fair value or future cash flows vary as a result of exchange rate fluctuations. The Group's currency risk partly consists of the fact that a high proportion of goods are purchased in foreign currencies, such as USD or EUR, plus sales to countries outside Sweden. Of total goods purchased, 50 percent is denominated in foreign currency with the USD and EUR the most significant. The main aim according to the finance policy, is that 70– 90 percent of expected foreign currency cash flows for each fall/winter and spring/summer season will be hedged using currency forwards. Currency forwards with expiry in 9–12 months time are used for continuous hedging purposes. The purpose of the currency hedging is that planned purchase costs, and thereby initial margins, are to remain the same as future costs when goods are delivered. In the third quarter, the Board authorized a departure from the Finance Policy relating to hedging using currency forwards, whereby the currency forwards held were divested. There were no currency forwards held at the end of the financial year. Financial assets and liabilities in foreign currency, expressed in SEK, which exposes the Group to currency risk have been described below.

	Short-term exposure			Long-term exposure
8/31/2020	USD	Euro	Other	Euro
Financial assets	0	21,679	190	0
Financial liabilities	-4,363	-8,193	-3,835	-21,359
Total exposure	**-4,363**	**13,486**	**-3,645**	**-21,359**

	Short-term exposure			Long-term exposure
8/31/2019	USD	EUR	Other	Euro
Financial assets	0	15,804	1,679	0
Financial liabilities	-23,799	-46,282	-31,674	-22,848
Total exposure	**-23,799**	**-30,478**	**-29,995**	**-22,848**

Financial assets include trade receivables and financial liabilities include trade payables.

The table indicates profit and Equity sensitivity to exchange rate fluctuations. The profit impact is mainly derived from purchases of goods in foreign currency. The sensitivity analysis does not take into account currency forward hedges.

		Effect on profit before tax		Effect on equity	
SEK M	Change	**2019/20**	2018/19	**2019/20**	2018/19
Euro	± 5%	± 10	± 10	± 1	± 2
USD	± 5%	± 14	± 18	± 0	± 0

The lower USD-denominated sensitivity in profit before tax for 19/20 compared to 18/19 was due to decreased USD-denomination purchasing in the financial year.

Interest rate risk
The risk that future cash flows or fair value are affected by changes in market interest rates. RNB's credits consist of bond loans and overdraft facilities. RNB also has interest-bearing lease liabilities and an interest-bearing contingent purchase consideration. Both credit facilities have variable interest with fixed margin. Available liquid funds are used to reduce utilization of the overdraft facility, which thus reduces the interest expense. In connection with the corporate restructuring currently underway, available liquid funds have been kept disposable for the subsidiaries' ongoing operations, advance payments and expected piecework payments. A change in the borrowing interest rate of 1% would, upon maximum utilization of the available credit limit (totaling SEK 400 M), affect the Group's interest expense by SEK 4.0 M (4.0). A change in the bank interest rate of 1% would affect interest expenses by SEK 0.7 M (0.8) upon maximum utilization of the available overdraft facility (SEK 70 M). A change in the interest for lease liabilities of 1% would affect interest expenses by SEK 8.3 M (0) given the lease liability as of August 31, 2020, and a change in the interest for the contingent purchase consideration by 1% would affect interest expenses by SEK 0.2 M (0.2).

Note 36 Cont.

Other price risks
The Group is not exposed to any other material price risks.

Analysis of credit risk
Credit risk represents the risk of a counterparty failing to meet its obligations towards the Group. The Group is exposed to this risk through various financial assets such as cash and cash equivalents held with banks and trade receivables. Credit risk relating to cash and cash equivalents held with banks is managed by restricting deposits to well-reputed financial institutions. An absolute majority of trade receivables relates to receivables from franchisees. To a degree, the item also consists of repayment claims on suppliers. In order to minimize the risk of credit losses, the franchisees' financial performance is continuously monitored and security obtained in the form of guarantees and chattel mortgages. Regular reviews of the age analysis and credit limits per customer are also performed. In cases where the credit limit has been exceeded, further goods deliveries are halted. The terms for payment of trade receivables are 10– 30 days. Otherwise, the Group does not have any security relating to other financial assets. The Group applies the simplified method in IFRS 9 for reporting expected credit losses over the remaining term for all trade receivables because these items do not have a significant financing component. In the assessment of expected credit losses, trade receivables have primarily been individually evaluated, and subsequently collectively evaluated as they have similar credit risk characteristics. The expected losses are based on the payment profile for sales over the last year and adjustments to judgments regarding development in the number of franchisees over the last year. Trade receivables also include receivables from goods suppliers. Trade receivables are impaired when there is no reasonable expectation that payment will be received. On the basis of the above, expected credit losses for trade receivables are as follows:

Age analysis other receivables

8/31/2020	Not due	< 60 days	60-90 days	90-180 days	> 180 days	**Total**
Expected credit loss (%)	0.1%	0.1%	0.1%	0.1%	0.1%	
Recognized value, gross	16,485	3,501	1,722	8,111	0	29,819
Expected credit losses for remaining maturity	-19	-5	-4	-9	0	-37
Recognized value, net	**16,466**	**3,496**	**1,718**	**8,102**	**0**	**29,782**

8/31/2019	Not due	< 60 days	60-90 days	90-180 days	> 180 days	**Total**
Expected credit loss (%)	0%	0%	0%	0%	0%	
Recognized value, gross	31,734	5,346	927	4,329	0	42,336
Expected credit losses for remaining maturity	0	0	0	0	0	0
Recognized value, net	**31,734**	**5,346**	**927**	**4,329**	**0**	**42,336**

Trade receivables falling due within one year amounted to SEK 29,782,000 (42,336,000) for the Group and SEK 0 (0) for the Parent Company.

Reconciliation between trade receivables bad debt reserve, and opening trade receivables bad debt reserve is stated below:

Bad debt provision as of September 1, 2018	7,070
Bad debt provision reported in the year	0
Bad debt provision reversed in the year	-7,070
Bad debt reserve as of August 31, 2019	**0**
Bad debt provision reported in the year	9,452
Bad debt provision reversed in the year	-987
Unutilized bad debt provision reversed in the year	0
Bad debt provision as of August 31, 2020	**8,465**

Non-current receivables of SEK 12,537,000 (8,723,000) is 0 (0) due. A provision for value decrease of SEK 0 (0) was made. Other current receivables of SEK 10,163,000 (12,579,000), is SEK 71,000 (93,000) due. A provision for value decrease of SEK 0 (0) was made.

Liquidity risk
In the period up until January 2020, when the Group's bank chose to terminate the Group's cash pool, liquidity management was centralized to the parent company in order to optimize utilization of liquid funds and minimize the financing requirement. The Group manages its liquidity requirements by monitoring forecasts deposits and payments in daily operations and planned interest and loan payments. The liquidity requirement is monitored on a weekly basis and in a rolling eight-week forecast. The long-term liquidity requirement for a 12-month period is identified on a quarterly basis. The net requirement for liquidity is compared to available credit facilities to determine the margin of error or potential deficits. Because of the Group's seasonal variations in operations, the Group requires flexible financing with the ability to utilize committed credit facilities. The analysis is normally carried out by operational subsidiaries on the basis of the determined guidelines and restrictions. In addition, the Group's liquidity policy includes calculating cash flows in major currencies and estimating the volume of liquid funds needed to satisfy these requirements. The data used to analyze these cash flows corresponds to the data used in the analysis of agreed maturities below. This analysis indicates that available loan facilities are expected to be sufficient in the period. As of the reporting date, the Group's financial liabilities, including derivatives, are subject to the following contracted maturities:

Note 36 Cont.

Maturity structure of the Group's financial liabilities

2019/2020	0– 3 months	4– 12 months	1– 2 years	2– 3 years	3– 4 years	More than 4 years	**Total contracted cash flows**
Other non-current liabilities	6,065	18,267	24,332	424,449		–	**473,113**
Liabilities to credit institutions	–	–	–	–	–	–	**0**
Leasing liabilities	55,952	167,857	188,263	145,397	108,284	243,151	**908,904**
Trade payables	227,974	–	–	–	–	–	**227,974**
Other liabilities	253,136						**253,136**
Accrued expenses	33,059						**33,059**
Currency futures	–	0	–	–	–	–	**0**

2018/2019	0–3 months	4-12 months	1–2 years	2-3 years	3-4 years	More than 4 years	**Total contracted cash flows**
Other non-current liabilities	6,071	19,193	48,112	25,264	412,293	–	**510,933**
Liabilities to credit institutions	–	–	–	–	–	–	**0**
Trade payables	215,193	–	–	–	–	–	**215,193**
Other liabilities	60,326						**60,326**
Accrued expenses	85,637						**85,637**
Currency futures	–	0	–	–	–	–	**0**

Interest payments on bonds for the financial year were SEK 12,297,000 (23,441,000), recognized interest payment for the bond was SEK 24,725,000 (23,441,000).

Derivatives refer to currency forwards , see Note 33, that will be settled gross.

Note 37 Capital management

The Group's aim for its capital management is to ensure RNB's ability to trade as a going concern and minimize financial risk. The Group's objective is to maintain balance between continuity and flexibility through loans/bonds and overdraft facilities. One of the Group's long-term objectives is to achieve an improved ratio between net debt and operating income before depreciation and amortization. The Group generally has a healthy cash flow from operating activities based on positive operating income and relatively low working capital. The Group's investments can therefore be financed by funds from the operational surplus which is included in the capital requirement strategy. The central finance function is responsible for raising capital and liquidity and exchange rate management, and also works as an internal bank for the Group's subsidiaries. The Group's profit decrease during Covid-19 has meant that the Parent Company's flexibility has been restricted by the Group's bank. The progress of net debt and operating income before amortization and impairment losses is:

	2020/19	**2018/19**	2017/18
Net debt	1,159,040	442,340	433,520
Operating profit before depreciation, amortization and impairment losses	146,943	1,592	89,020
Ratio	**7.9**	**277.9**	**4.9**

The corporate bond is subject to covenants regarding new borrowing and payment, for example dividend. Financing risk is the risk that financing cannot be obtained or obtained only at a sharply increased cost. RNB may require additional financing in future. Access to, and the cost of, additional financing are affected by a number of factors such as current market conditions, general access to credit and RNB's creditworthiness and credit capacity. In addition, access to financing is dependent on the market's view of the financial outlook in the short and long term, which can be negatively affected by factors such as major losses or decreased demand for RNB's products due to a deterioration of the economic climate. Disruptions, uncertainty and volatility on the capital and credit markets may also limit access to the capital required to drive and develop the Group's operations. If a company in the Group fails to fulfill an obligation under existing financing arrangements, this may lead to loans being accelerated to immediate payment or that the creditor takes action to recover collateral. Some loan agreements also incorporate cross-default clauses that may result in the acceleration of other payment obligations in RNB. During the financial year, RNB breached certain terms in the bond agreement.

Note 38 Risks and uncertainties

Strategic risks relate to ensuring that the Company's business model, in the long and short term, satisfies customers' and other stakeholders' demands and wishes and its impact due to changes in the surrounding world. Operational risks are directly attributable to business operations with a potential impact on results of operations and financial position.

Dependence on cyclical trends
Demand for RNB's products, like demand generally in the retail sector, is affected by changes (actual or expected) in overall market conditions. A positive cyclical trend normally has a favorable effect on RNB's sales and earnings. Weaker market conditions could have an adverse effect on RNB's sales and earnings, if disposable household income also declines. Demographics are another factor impacting demand.

Seasonal and weather variations
Generally speaking, retail sales vary with the seasons. Sales are at their strongest during the fall and winter, peaking in December when Christmas shopping is a powerful driver. In recent years, the final weekend of November has increased in significance as a result of Black Friday/Weekend/Week. The beginning of the school year in August has historically proved to be a strong sales month when sales of children's clothing increase. Prices are generally higher for the fall and winter collections, which has a positive impact on gross profit in the first quarter of the split financial year. The major discount months of January, February and July have an adverse impact on gross margin and operating margin in these periods. The weather is also an important factor that affects sales. The Group's products are bought in to be sold based on normal weather conditions. Deviations from normal weather patterns impact sales. A mild fall and winter generally tends to have an adverse impact on sales, and a cold and rainy summer has historically proven to have a positive impact on sales.

Fashion risks and changed purchasing behavior
RNB is dependent on consumer preferences in terms of the design, quality and price of clothing, accessories, cosmetics, jewelry and watches. RNB's proprietary brands, coupled with the distribution of other national and international brands, provide an extensive basis for making decisions about fashion trends and adapting products to demand. RNB endeavors to limit dependence on fashion trends by including a basic range of classic designs in the proprietary collections. However, since the fashion industry is subject to rapid changes, the possibility of temporary declines in sales of certain collections cannot be ruled out. In the longer term, RNB also needs to adjust to changes in its customers, e.g. due to demographic or other factors, as well as to changes in consumer purchasing patterns. The ongoing digitalization process and substantial increase in e-commerce has affected and will continue to affect the clothing sector significantly. Consumers are developing entirely new habits, are less loyal and are able to gather information about goods and prices before buying. This trend has increased the last few years, it increases competition and puts pressure on prices.

Competitive situation
The market for RNB's products is exposed to intense competition in terms of products and markets. RNB's market position is dependent on the company's and its competitors' resources for marketing, investments and product development, and the ability to adapt to changing consumer preferences. Increased competition could exacerbate price pressure and reduce market share. The ongoing digitalization process and substantial increase in e-commerce has and will continue to affect the clothing sector significantly over the coming years. New consumer purchasing patterns intensify competition further.

Distribution centers
The goods sold in RNB's stores pass through one of the company's proprietary or external distribution centers. If one of the distribution centers or its equipment is damaged or needs to be shut down, the company may experience problems delivering goods to stores. If these conditions are not rectified rapidly and cost-effectively, it could damage operations. Insurance policies cover property and production stoppages, but there can be no guarantee that such insurance amounts will be sufficient or that financial losses can be completely recovered.

Information systems
RNB depends on information systems throughout all parts of operations in order to monitor the flow of goods from purchasing to in-store sales and e-commerce operations, and to coordinate operational and statistical information. The risks relate to the suitability of existing systems as well as securing sensitive operational information. Each long-term interruption, or problems with functionality in information systems, may result in the loss of important information or actions being delayed, reduced sales or delayed implementation of measures, particularly if problems occur during peak season.

Franchise agreements
RNB's operations in Polarn O. Pyret and Brothers are partly conducted, but to a decreasing extent, through franchisees. Despite an extensive and well-functioning collaboration with franchisees, agreements may come to be terminated which may have negative consequences for the company's operations. RNB also has exposure in the form of trade receivables from franchisees with the ensuing risk of customer losses.

Supplier risk
RNB is highly dependent on its suppliers for delivery of the company's products. Approximately 50 percent of purchases are from suppliers in China. Companies in Bangladesh, India, Turkey, and the Baltic region also represent a major portion of other deliveries. Consequently, disruptions in supplier operations could impact RNB's sales and earnings. Trade restrictions at national or international level could result in changed purchasing procedures, which in turn could have negatively impact operations. Similar measures, or other restrictions in suppliers' ability to deliver goods, could have negative consequences on company earnings. RNB actively seeks to ensure that its supplier partners comply with international standards and regulatory frameworks relating to working conditions and human rights. In cases where there is a risk of non-compliance, measures shall be implemented on a continuous basis in order to improve conditions. Environmental impact from production is continuously monitored and minimized wherever possible.

Risk of increased production costs
A significant proportion of the products sold by RNB are manufactured in countries with lower wages and salary levels than in the Nordics. This implies that RNB can manufacture products at a lower price compared to what would have been possible if they had been manufactured in Sweden. The countries in which the Company's products are manufactured are undergoing rapid progress and there can be no guarantee that the relatively low cost level will continue. In the event that the Company's costs of purchased goods increase and the Company is unable to offset this increase with the commensurate price increase to customers, the Company's margins could decline.

Note 38 Cont.

Brands
RNB's policy is to register and protect its brands and names. However, there are no guarantees that these measures will prove sufficient to protect the brands and other intellectual property. In addition, unauthorized use of the brand in pirate copies or the copying of RNB's stores could damage the company's image and reputation.

Refurbishment of departments
The Departments & Stores business area's stores in the NK department stores in Stockholm and Gothenburg have undergone extensive refurbishment in the financial year and in previous years. This refurbishment has implied decreased sales potential and increased costs. There is also a risk that previously existing customers change their preferences during refurbishment and that the results of the refurbishment fail to correspond to previous and existing customers' preferences and habits.

Implementation of strategy
The Annual General Meeting in December 2018 decided to task the Board with restructuring the business areas and group-wide functions. As a result of the business areas becoming independent, operational subsidiaries and by minimizing the group structure, shareholder value would increase. This work was completed according to plan in the financial year. The restructuring is assessed to have diverted the focus from core operations, leading to negative effects in the form of lower sales and increased costs.

Other risks and uncertainties
At the beginning of 2020, the world was affected by the Covid-19 pandemic. The pandemic has significantly impacted RNB's store sales since the outbreak, and is expected to continue to negatively impact sales and profit. General clothing sales also decreased as a result of Covid-19.

In parallel with the restructuring ordered by the AGM in 2018, the Board has initiated the work of identifying and analyzing strategic alternatives for the operations, including potential sales of one or several of the operational subsidiaries. There is a risk that RNB is unsuccessful in its efforts to sell one or several of its subsidiaries, which would mean that the positive effects would fail to materialize.

Note 39 Events after the end of the financial year

On October 16, 2020, the Stockholm District Court approved the proposed arrangements with creditors from Brothers AB, Departments & Stores Europe AB and Polarn O. Pyret AB. The arrangements with creditors gained legal force on November 6. The benefits from the arrangements with creditors are estimated to be worth more than SEK 200 M for the Group. The corporate restructuring of all three companies was concluded on November 6. The Covid-19 pandemic and its impact on society continued to affect sales and profit for the Group and its subsidiaries. It is difficult to assess the extent of the impact at present, due to the changeable situation.

The Board of Directors and CEO provide their assurance that the Annual Report has been prepared in accordance with generally accepted accounting practices, provides a true and fair view of the Parent Company's financial position and results of operations and that the Board of Directors' report provides a true and fair overview of the Parent Company's operations, financial position and results of operations and also describes the material risks and uncertainties faced by the Parent Company. The Board of Directors and CEO also provide their assurance that the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and results of operations, and that the Directors' Report for the Group provides a true and fair overview of the Group's operations, financial position and results of operations, and also describes the material risks and uncertainties faced by the Group.

Stockholm, Sweden, December 1, 2020

Per Thunell
Chairman

Michael Lemner
Board member

Joel Lindeman
Board member

Kristian Lustin
CEO

Our Audit Report was submitted on December 1, 2020
Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Auditor's Report

To the Annual General Meeting **RNB RETAIL AND BRANDS AB** Corp
Corp ID No 556495- 4682

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts for RNB RETAIL AND BRANDS AB (publ) for the financial year, September 1, 2019 to August 31, 2020. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 29–73.

In our opinion, the Annual Accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of August 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of Monday, August 31, 2020 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Director's Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the Income Statement and Balance Sheet for the Parent Company and the Statement of Comprehensive Income and Balance Sheet for the Group.

Our statements in the report on the annual accounts and consolidated accounts are consistent with the contents of the supplementary report presented to the Parent Company's Audit Committee in accordance with Article 11 of the Auditors Act (537/2014).

Basis for our statements
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. According to our best understanding and conviction, this includes, that no prohibited services specified in Article 5.1 of the Auditors Act (537/2014) have been supplied to the company reviewed, or where applicable, its Parent Company or companies under its control in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Material uncertainties relating to going concern assumption
We refer to the information provided on page 33 under the section "Assessment of going concern", which indicates that the Group's continued operations are dependent on the extension of interest-bearing liabilities of SEK 110 M with a due date in December 2020, that no interest is payable on the bond loan and that the changes made to date generate cash flow according to plan. In the event that the above conditions are not satisfied, a material uncertainty factor arises that could lead to material doubts regarding the company's ability to continue operations. Our statement has not been modified in this respect.

Key Audit matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. In addition to the material uncertainties regarding the going concern assumption, we have identified further materially significant areas that have been described below. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements and consolidated statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. In addition to material uncertainties regarding the going concern assumption, we have identified materially significant areas that are described below.

Valuation of inventories

Description	*How our audit addressed this key audit matter*
The carrying amount of inventories as of August 31, 2020 was SEK 379 M for the Group, corresponding to 22% of total Group assets. The Group's principles for recognizing inventories is indicated in Note 1, Accounting principles, of the consolidated accounts. In addition, information about inventories has been provided under Note 2, Material estimates and judgments, and under Note 19, Inventories. Inventories are measured at the lower of cost and net realizable value. Net sales value is influenced by the Board of Directors' and management's assessments. These are dependent on factors such as fashion trends and seasonal fluctuations. We assess that the valuation of inventories is a key audit matter as the value is significant and is influenced by critical estimates and judgments.	Regarding valuation of inventories, we have evaluated the Group's routines and processes for pricing inventory, and evaluated the Group's processes and routines for following up and judging inert and obsolescent items. In addition, we have carried out an analytical review with historical comparisons and data analyses in order to identify inert and obsolescent items and evaluated the Group's judgment of the need for impairment. We have reviewed the information provided in the annual accounts.

Goodwill / Participations in subsidiaries

Description	*How our audit addressed this key audit matter*
The carrying amount of Goodwill as of August 31, 2020 was SEK 151 M for the Group, corresponding to 9% of total Group assets. The carrying amount of participations in subsidiaries as of August 31, 2020 was SEK 463 M for the Parent Company, corresponding to 87% of total Parent Company assets. The accounting principles and key assumptions and judgments for goodwill and for Parent Company shares in subsidiaries are indicated in Note 1, Accounting principles and Note 2, Material estimates and judgments. Information about impairment testing is presented in Note 14, Goodwill. As a result of the assumptions and judgments made when calculating value in use, we have assessed that goodwill is a key audit matter. The valuation of shares in subsidiaries is dependent on management's judgments regarding indications of whether there is an impairment need. Goodwill relates to operational subsidiaries, and assumptions and judgments made when calculating value in use for underlying units also has an impact on the Parent Company value of shares in subsidiaries.	Our Audit evaluates the Company's process for carrying out impairment testing. We have also examined how cash generating units have been identified in relation to set criteria and compared to how the Group follows up operations internally. We have evaluated the Group's valuation methods and calculation models. The reasonableness of the assumptions made and sensitivity analyses for changed assumptions has been reviewed with the help of our valuation specialists and comparisons have been made against historical outturns and the reliability of earlier forecasts. We have evaluated the discount rate applied and long-term growth for each unit through comparisons with other companies in the same sector. We have reviewed the information provided in the annual accounts.

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on page1–29 and 78–96. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without impacting on the Board's responsibilities and work otherwise, monitor the company's financial reporting.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Director.

- Conclude on the appropriateness of the Board of Director's and Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or
regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the Annual Accounts and Consolidated Accounts, we have examined the administration of the Board of Directors and the Managing Director of RNB RETAIL AND BRANDS AB (publ) for the financial year September 1, 2019 – August 31, 2020, and the proposed distribution of the company's profit/loss.

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Directors' Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for our statements
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and Managing Director
The Board of Directors is responsible for the proposed distribution of earnings of the company. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company,
- or in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and proposed distribution of earnings is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion on discharge of liability. As a basis for our opinion on the Board of Directors' proposed distribution of earnings, we have examined the Board of Director's statement and a selection of decision-making data in order to evaluate whether the proposal is in compliance with the Companies Act.

Auditor's statements on the statutory Sustainability Report
The Board of Directors and CEO are responsible for the Sustainability Report on page 16-28 and 78-81 and for its preparation in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's auditing standard RevU 12 The auditor's opinion regarding the Sustainability Report. This means that our review of the Sustainability Report has a different focus and is significantly limited in scope compared to the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides (a) sufficient basis for our opinion.

A Sustainability Report has been prepared.

Ernst & Young AB, P.O. Box 7850, SE-103 99 Stockholm, Sweden, was appointed RNB RETAIL AND BRANDS AB (publ)'s Auditor by the Annual General Meeting on December 19, 2019 and has acted as the company's auditor since December 28, 1996.

Stockholm, Sweden, December 1, 2020
Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Sustainability notes

Employees

Age and employee turnover*	2019/2020	2018/2019	2017/2018
Average age, number of years	37	36	36
Average period of employment, years	7	6	6
Employee turnover, %	11%	8%	8%

Personal heath and safety*	2019/2020	2018/2019	2017/2018
Total Sick leave, %	4%	4%	4%
Short-term sick leave, %	2%	2%	2%
Long-term sick leave, %	2%	2%	2%

Equal opportunities and diversity

Number of employees, %*	2019/2020	2018/2019	2017/2018
Men	19%	18%	19%
Women	81%	82%	81%

Board of Directors, gender	2019/2020	2018/2019	2017/2018
Men	3	4	4
Women	0	2	2

Board of Directors, age	2019/2020	2018/2019	2017/2018
Within 30 year	0	0	0
30-50 years	1	2	2
Over 50 year	2	4	4

*Based on full and part-time employees
Data per August 31 for each year

Management group , gender	2019/2020	2018/2019	2017/2018
Men	3	4	5
Women	1	3	4

Management group, age	2019/2020	2018/2019	2017/2018
Within 30 year	0	0	0
30-50 years	2	5	6
Over 50 year	2	2	2

CEOs, gender	2019/2020	2018/2019	2017/2018
Men	3	1	1
Women	1	3	3

CEOs, age	2019/2020	2018/2019	2017/2018
Within 30 year	0	0	0
30-50 years	2	2	4
Over 50 year	2	2	0

Design & purchasing

Brothers Sustainable fiber	2019/2020	2018/2019	2017/2018
* more sustainable fiber*	58%	50%	38%
% share of sustainable cotton and total share of cotton**	82%	73%	51%

* % Better Cotton, certified organic or recycled fiber
** % Certified organic or Better Cotton of total share of cotton

Polarn O. Pyret Sustainable fiber	2019/2020	2018/2019	2017/2018
* more sustainable fiber*	75%	70%	69%
% share of sustainable cotton and total share of cotton**	100%	99%	95%
% recycled fiber***	11%	5%	2%

* % GOTS certified, certified organic, Better Cotton, recycled or sustainably regenerated. From AW20, Better Cotton is no longer included in PO-P's definition of more sustainable fiber.
** % GOTS certified, certified organic, Better Cotton. From AW20, Better Cotton is no longer included in PO-P's definition of more sustainable fiber.
*** % Certified recycled polyamide and polyester fiber

Production

Brothers General production data	2019/2020	2018/2019	2017/2018
Number of sewing units including order value	30	36	34
Number of production countries	8	10	12

Polarn O. Pyret General production data	2019/2020	2018/2019	2017/2018
Number of sewing units including order value	57	61	61
Number of production countries	9	9	8

Brothers Production countries, % or order value	2019/2020	2018/2019	2017/2018
China	60.8%	44.3%	50.4%
India	19.1%	12.0%	10.7%
Bangladesh	7.9%	2.9%	1.5%
Romania	4.5%	4.5%	2.6%
Lithuania	3.8%	14.1%	13.6%
Pakistan	3.1%	1%	0.5%
Turkey	0.7%	7.4%	7.6%
Vietnam	0.2%	1.8%	2.3%
Burma	0%	0%	6.7%
Cambodia	0%	3.6%	2.9%
Croatia	0%	0%	1.1%
Morocco	0%	8.4%	0%

Polarn O. Pyret Production countries, % or order value	2019/2020	2018/2019	2017/2018
China	57.6%	54.1%	54%
Bangladesh	18%	17.5%	16.3%
India	7%	5.91%	7%
Lithuania	5.4%	9.5%	8%
Turkey	4.2%	3.9%	0.5%
Korea	3.3%	5.8%	7.0%
Latvia	3.1%	2.2%	2.8%
Vietnam	1%	0.4%	0%
Sweden	0.2%	0.6%	0.5%
Germany	0.1%	0.1%	0.1%

Brothers Type of audit	2019/2020	2018/2019	2017/2018
External audit	80%	85%	87%
Internal audit	20%	15%	13%
Total number of audits	41	41	30

Polarn O. Pyret Type of audit	2019/2020	2018/2019	2017/2018
External audit	78%	71%	65%
Internal audit	22%	29%	35%
Total number of audits	50	73	66

Brothers BSCI audit results breakdown of order value, %	2019/2020	2018/2019	2017/2018
SA8000 - Best Practice	14%	13%	6%
A - Very good	19%	1%	15%
B - Good	2%	14%	5%
C - Acceptable	62%	42%	58%
D - Insufficient	3%	4%	5%
E - Unacceptable	0%	0%	0%
ZT - Zero Tolerance	0%	0%	0%
No audit - No valid audit*	0%	26%	12%

*Audit is either missing or the validity period of the audit has expired

Polarn O. Pyret BSCI audit results breakdown of order value, %	2019/2020	2018/2019	2017/2018
SA8000 - Best Practice	10%	11%	10%
A - Very good	6%	12%	11%
B - Good	14%	4%	5%
C - Acceptable	60%	56%	61%
D - Insufficient	2%	2%	2%
E - Unacceptable	0%	0%	0%
ZT - (Zero Tolerance)	0%	0%	0%
No audit - No valid audit*	9%	15%	12%

*Audit is either missing or the validity period of the audit has expired

Brothers **Accord on fire and building safety in Bangladesh - status**	**2019/2020**	2018/2019	2017/2018
% Remediation progress rate of initial findings	96%	98%	99%
% Accord total remediation progress rate of initial findings	96%	95%	93%
Number of sewing units with established safety committees	1/3	1/3	1/3
Number of sewing units with employee representatives	1/3	1/3	1/3
Number of resolved health & safety incidents	0	0	2/2

Polarn O. Pyret **Accord on fire and building safety in Bangladesh - status**	**2019/2020**	2018/2019	2017/2018
% Remediation progress rate of initial findings	98%	100%	97%
% Remediation progress rate of total findings	99%	96%	91%
Number of sewing units with established safety committees	4/4	4/4	4/4
Number of sewing units with established employee representatives*	4/4	4/4	4/4
Number of resolved health and safety incidents	1/1	0	3/3

* 2 active and 2 inactive sewing units

Brothers **BSCI's training relating to the Code of Conduct**	**2019/2020**	2018/2019	2017/2018
Number of sewing units to complete BSCI or BEPI training	0	19	0
Number of sewing units to complete BSCI training, linked to human rights	0	10	0

Polarn O. Pyret **BSCI's training relating to the Code of Conduct**	**2019/2020**	2018/2019	2017/2018
Number of sewing units to complete BSCI or BEPI training	25	11	12
Number of sewing units to complete BSCI training, linked to human rights	15	5	2

Logistics

Brothers Environmental impact of transported goods	2019/2020	2018/2019	2017/2018
Transported distance, tonKm*	8,629,392	8,928,134	11,105,260
CO2 equivalents, CO2e (ton)**	268	419	595

* Inbound transport
** Inbound and outbound transport

Brothers Share of consignment per transport type, % tonKm	2019/2020	2018/2019	2017/2018
Sea freight	98%	94%	92%
Air freight	1%	2%	3%
Rail freight	1%	3%	5%
Road freight	0%	1%	0%

Departments & Stores Environmental impact of transported goods	2019/2020	2018/2019	2017/2018
Transported distance, tonKm*	71,568	98,859	282,761
CO2 equivalents, CO2e tons	7 *	15**	48**

* In-house outbound transport
** Inbound and outbound transport

Departments & Stores Share of consignment per transport type, % tonKm	2019/2020	2018/2019	2017/2018
Sea freight	0%	0%	0%
Air freight	0%	4%	0%
Rail freight	0%	0%	0%
Road freight	100%	96%	100%

Polarn O. Pyret Environmental impact of transported goods	2019/2020	2018/2019	2017/2018
Transported distance, tonKm*	14,599,591	19,398,100	19,360,300
CO2 equivalents (ton)**	389	579	908

* Inbound transport
** Inbound and outbound transport

Polarn O. Pyret Share of consignment per transport type, % tonKm	2019/2020	2018/2019	2017/2018
Sea freight	98%	96%	93%
Air freight	1%	2%	4%
Rail freight	0%	1%	2%
Road freight	1%	1%	1%

Environmental impact

Scope 1 - Direct greenhouse gas emissions from coolants and company cars (ton CO2e)	2019/2020	2018/2019	2017/2018
Brothers	7	7	8
Departments & Stores	4	4	4
PO.P	4	6	7
RNB	4	4	4
Total	19	22	23

Scope 2 - Indirect greenhouse gas emissions from stores, offices and warehouses (tons CO2e)	2019/2020	2018/2019	2017/2018
Brothers	143	221	247
Departments & Stores	64	72	77
PO.P	135	158	174
RNB	0.02	0.02	0.02
Total	342	4,501	498

Corporate Governance Report

RNB RETAIL AND BRANDS AB (publ), RNB, is a Swedish public limited liability company listed on Nasdaq Stockholm. RNB applies the Swedish Code of Corporate Governance and issues this Corporate Governance Report for the financial year 9/1/2019 - 8/31/2020. RNB has prepared this Corporate Governance Report in accordance with the provisions of the Swedish Code of Corporate Governance (the Code), and with Chapter 6, sections 6- 9 of the Swedish Annual Accounts Act and Chapter 9, Section 31 of the Swedish Companies Act. The guidelines pertaining to the Swedish Code of Corporate Governance are available on the website of the Swedish Corporate Governance Board (www.bolagsstyrning.se). The Corporate Governance Report is not part of the Directors' Report.

Corporate Governance is concerned with the relationship between shareholders and the company's Board and CEO/Group Management. The Group's corporate governance is based on Swedish legislation, the Articles of Association and Nasdaq Stockholm's rules for issuers as well as other relevant statutes and regulations. Corporate Governance is effected through the Annual General Meeting, the Board of Directors and CEO in accordance with the Companies Act and the company's Articles of Association and the Swedish Code of Corporate Governance.

RNB RETAIL AND BRANDS' overriding goal is to create long-term value for its shareholders and other stakeholders. This requires a well-functioning corporate governance model, which is characterized by an efficient organizational structure, internal control system, risk management and transparency.

RNB RETAIL AND BRANDS applies the rules contained in the Swedish Code of Corporate Governance. The Code is based on the "comply or explain" principle, which means that companies applying the Code may diverge from specific rules but are then required provide an explanation for such departure.

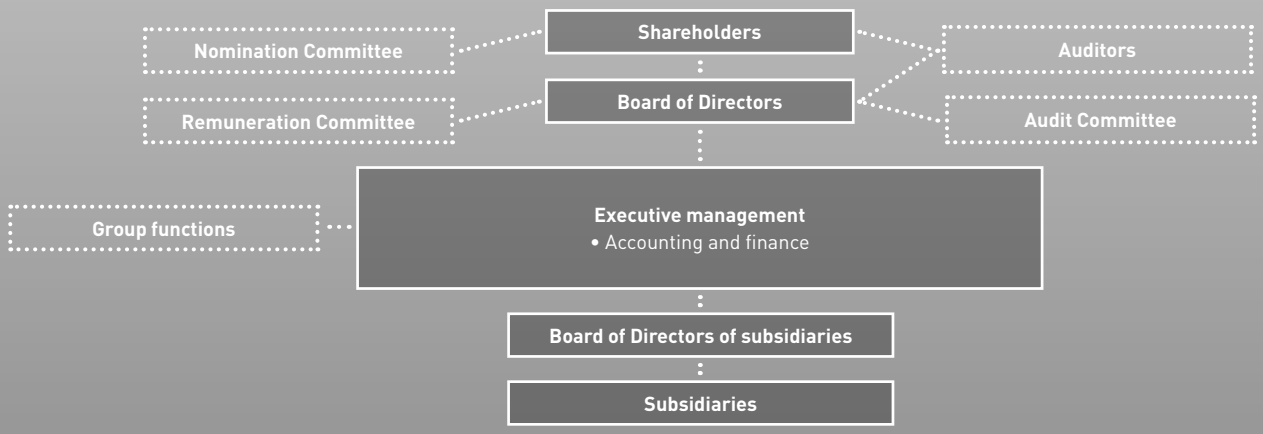
RNB RETAIL AND BRANDS also applies the Swedish Annual Accounts Act for reporting of its corporate governance work. RNB RETAIL AND BRANDS follows progress in the corporate governance field and continually adjusts its corporate governance principles with the aim of creating value for owners and other stakeholders. No breaches of applicable stock exchange regulations have occurred.

Shares and shareholders

As of August 31, 2020, RNB's registered share capital amounted to SEK 30,520 distributed over 101,736,528 shares with a quotient of SEK 0.30 per share. All shares are common shares. Each share carries one vote at the AGM and all shares have an equal right to a share in the company's assets and profits.

The number of shareholders amounted to 7,389, of which 97.4 percent were registered in Sweden. The three largest shareholders were Konsumentföreningen Stockholm with 41.1 percent, Novobis AB with 11.8

Governance structure



percent and Nordnet Pensionsförsäkring AB with 4.0 percent. Apart from Konsumentföreningen Stockholm and Novobis AB, no other shareholders hold more than 10 percent of the votes. RNB's ten largest owners held shares corresponding to 66.2 percent of the capital and voting rights in the company. For more information about the share and shareholders, please see pages 90-91 and RNB's website, www.rnb.se.

Annual General Meeting

The Annual General Meeting (AGM) is RNB RETAIL AND BRANDS' highest decision-making body. The AGM elects the company's Board and auditors and also approves the fees payable to the Board of Directors, among other things. The AGM is also responsible for adopting the company's Balance Sheet and Income Statement, making resolutions concerning the distribution of earnings from operations and discharging members of the Board and CEO from liability. The AGM also elects RNB's Auditor.

The AGM must be held no later than six months after the end of the financial year. Notification of the AGM and of general shareholder meetings convened to address a motion concerning amendment of the Articles of Association must take place no earlier than six weeks before and no later than four weeks before the AGM. Notification of other Extraordinary General Meetings must take place no earlier than six weeks before and no later than three weeks before the meeting. All shareholders included in the share register who have notified their attendance in time are entitled to attend and vote at the AGM. Shareholders unable to attend in person may be represented by a proxy.

Information from previous AGMs and EGMs are available at https://www.rnb.se/ en/Corporate-governance/ Annual-general-meeting/.

Annual General Meeting for the 2018/2019 financial year

The AGM was held on December 19, 2019 at RNB's premises at Drottninggatan 33 in Stockholm, Sweden. At the AGM, 13 shareholders participated, personally or via proxy, representing 55 percent of the number of shares and votes in the company. Laszlo Kriss was elected Chairman of the AGM

Extraordinary General Meetings

The Extraordinary General Meeting was held on October 30, 2019. The EGM authorized a new share issue.

Annual General Meeting for the 2019/2020 financial year

The AGM will be held on December 22, 2020. For more information about the AGM, please see RNB's website, www.rnb.se/en/Corporategovernance/Annual-general-meeting/

Nomination Committee

RNB RETAIL AND BRANDS has a Nomination Committee whose duties include preparing and submitting proposals to shareholders regarding election of Board members and, when applicable, Auditors. The Chairman of the Board shall annually, and no later than in connection with publication of the company's Interim Report for the third quarter, convene the four largest shareholders in the company. They then appoint one member each to the Nomination Committee. The Chairman of the Board is co-opted to the Nomination Committee, but not as Chairman. The Chairman of the Board shall also ensure that information about the composition of the Nomination Committee, with contact information, is published well in advance of the AGM. The Chairman of the Board also reports to the Nomination Committee regarding the conditions for the Board's work and specific competences that may be important for the Nomination Committee's work. To perform its work, the Nomination Committee must keep itself informed about the Group's strategy and its future challenges in order to be able to judge what skills and experience are required by Board members. The Nomination Committee also has to consider regulations governing non-affiliation, which apply to the Board. The Nomination Committee holds meetings as necessary, but at least once per year. Shareholders are able to submit proposals to the Nomination Committee for further evaluation.

The AGM in December 2019 resolved that a Nomination Committee would be appointed from the major shareholders with the task of proposing Board members ahead of the AGM for the 2019/2020 financial year. Prior to the AGM on December 22, 2020, members of the Nomination Committee were appointed in accordance with the resolution of the AGM and consists of Lars Ericsson, CEO of Konsumentföreningen Stockholm, Fredrik Carlsson and Conny Palmkvist.

No remuneration is paid to members of the Nomination Committee.

Attendance at Board meetings in the financial year:

	Attendance at Board meetings		Attendance at
Board member	Regular (5)	Additional (5) (18)	Committee meetings (4 meetings)
Laszlo Kriss	2/2	6/6	2/2
Per Thunell	5/5	18/18	4/4
Monika Elling	2/2	6/6	2/2
Michael Lemner	5/5	17/18	2/2
Sara Wimmercranz	2/2	6/6	
Joel Lindeman	5/5	18/18	2/2

Board of Directors

The Board of Directors is RNB RETAIL AND BRANDS' highest administrative body under the AGM and has ultimate responsibility for the management and organization of the company's operations. The Board monitors the company's operations and management and also takes decisions on important matters relating to strategy, investments, organization and financial questions. The Board has found it more expedient that the full Board also comprise the Audit Committee and Remuneration Committee- In accordance with the Articles of Association, the Board shall consist of no less than three and no more than six members, with no deputies. The AGM appoints the Board members for the period until the next AGM has been held. The company's Articles of Association do not include any provisions on the appointment or dismissal of Board members. The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal Rules of Procedure established by the Board for its work. The Annual General Meeting in December 2019 decided to reelect regular Board members Michael Lemner, Joel Lindeman and Per Thunell. Board members Laszlo Kriss, Monika Elling and Sara Wimmercranz declined re-election. The CEO is co-opted to the Board.

Articles of Association

The Articles of Association may only be amended at the AGM or an Extraordinary General Meeting. The current Articles of Association are available at https://www.rnb.se/en/Corporate-governance/Articles-of-association/.

Board of Directors

1. Per Thunell, born in 1953, M.Sc. (Econ)

Member of RNB's Board since 2012, Chairman since 2019

Independent of the Company or Management, independent of the Company's major owners.

Previously CFO at Konsumentföreningen Stockholm

Other Board assignments: Chairman at Departments & Stores

Shareholding in RNB: 20,000

2. Joel Lindeman, born in 1976, M.Sc. (Econ)

Member of RNB's Board since 2017

Independent of the Company or Management, not independent of the Company's major owners.

Other Board assignments: Chairman of Insert Coin AB. Board member at Polarn O. Pyret, Lorensbergs Organisationskonsulter AB, CZ Hospitality AB, Design at Lorensbergs AB, Wakakuu AB, Lindeman Kapitalförvaltning AB, StrategiQ Företagspartner AB, Magic Carpet Group AB, Artworks lab AB and Intervex AB.

Shareholding in RNB: 51,900

3. Michael Lemner, born in 1957, B.Sc. (Econ.)

Member of RNB's Board since 2013

Independent of the Company or Management, independent of the Company's major owners.

CEO and consultant with Tim-Tam Consulting SPRL (Belgium)

Other Board assignments: Board Chairman at Polarn O. Pyret and Brothers. Board member of Fashion3 (AFM Fashion Brands), Rougegorge, Jules, Pimkie, Grain de Malice (all in France), Orsay Group Gmbh (Germany), Treedy's (Belgium) and Co-Founder and Board member of Retviews SA (Belgium).

Shareholding in RNB: 25,000

Shareholding as of August 31, 2020

Board of Directors—Rules of Procedure

RNB's Board of Directors is governed by formal Rules of Procedure that comply with the Swedish Companies Act with respect to the division of duties and reporting. The formal Rules of Procedure govern Board meetings, issues to be addressed at Board meetings, the Chairman's duties, the CEO's duties and certain other matters. The Board normally holds five to six scheduled Board meetings during the financial year and extraordinary meetings are held as necessary. Four of the scheduled meetings are held in connection with publication of each of the four quarterly reports, one is reserved for strategic issues, and one scheduled meeting addresses the budget for the following financial year. The regular meetings were primarily devoted to earnings follow-ups, investment matters, external reporting, budgets and strategy issues.

RNB RETAIL AND BRANDS AB (publ) complies with Nasdaq Stockholm's rules for issuers and the Swedish Code of Corporate Governance regarding the requirement for non-affiliation of Board members. The Board's assessment regarding non-affiliation of Board members in relation to the company and its shareholders is shown in the description of the Board on page 84 of the Annual Report.

Board Committees

Within the Board, there is a Remuneration Committee and an Audit Committee. The Board has found it more expedient that the full Board also comprise the Audit Committee and Remuneration Committee.

Group Management

1. Kristian Lustin, born in 1970

President and CEO

Master of Science in Business and Economics, Uppsala University

Employed since 2015, CEO since January 1, 2020

Shareholding in RNB: 90,000

Previously CFO at RNB, Controller at Modern Times Group MTG, Finance Director at Munters and Authorized Public Accountant at Deloitte

2. Christopher Englinde, born in 1979

CEO, Brothers

Master in Business Administration, London School of Economics and Political Science

Employed since 2019, CEO since September 1, 2020

Shareholding in RNB: 0

Previously Managing Director "Topman" (Arcadia Group Ltd.). Experience of similar roles in international retail, including Menswear Director at New Look and Head of Division with global responsibility for the men's range at H&M.

3. Lars Jungerth, born in 1965

CEO Departments & Stores

M.Sc. (Eng.) Linköping University

Employed since 2020

Shareholding in RNB: 0

Previous experience includes Marketing Director at Canal Digital, Expert Sweden and Scandic Hotels Sweden. Also experience as Logistics/IT Manager at Venue Retail Group.

4. Johan Munck, born in 1968

CEO Polarn O. Pyret

M.Sc. (Econ.), Stockholm University

Employed since 2020

Shareholding in RNB: 0

Many years' experience of international retail, focusing on sales, purchasing and omni channel development with European fashion retailers. Previously CEO of Esprit in the Nordics and Baltics, and similar roles with Hunkemöller, New Look and H&M.

Shareholding as of August 31, 2020

Remuneration Committee

The Board of Directors has a Remuneration Committee with the main duties of reviewing, preparing and presenting recommendations for the Board on questions relating to remuneration principles, including performance-based remuneration and pension terms, to the company's senior executives, complying with and evaluating ongoing and completed programs for variable remuneration to company management and also complying with and evaluating the application of guidelines and remuneration to senior executives statutorily resolved by the AGM. The Committee also prepares the proposal to the AGM regarding guidelines for remuneration to senior executives.

The Company's Remuneration Committee has, from the AGM in December 2019, consisted of the entire Board, with Joel Lindeman appointed to lead the work.

Audit Committee

The task of the Audit Committee, which is appointed by the Board, is to prepare the Board's work on quality assurance of the company's financial reporting. The Committee maintains continuous contact with the company's Auditors in order to keep informed of the focus and scope of the Audit and discuss views on the company's risks. The Audit Committee also adopts guidelines regarding services other than audit that the company may procure from the Auditor. The Committee's duties also include evaluating the Audit work and reporting to the Nomination Committee, and assisting the Nomination Committee in the preparation of proposals for Auditors and fees for Audit work, and informing the Board of the results of the statutory audit and explaining how the Audit contributed to the reliability of the financial reporting.

During the financial year, the Company's Audit Committee consisted of the Board with Per Thunell appointed to lead the work.

Remuneration of the Board of Directors

The AGM in December, 2019 approved total Directors' fees of SEK 870,000, to be allocated as follows: SEK 426,000 to the Chairman and SEK 222,000 to each of the other Board members who do not receive salary from the company. No special remuneration shall be payable for Committee work.

Auditors

RNB RETAIL AND BRANDS' Auditor is elected by the AGM. The AGM in December 2019 appointed Ernst & Young as Auditor for the period until the end of the next AGM. Ernst & Young AB has appointed Authorized Public Accountant, Beata Lihammar, as Auditor in Charge. Ernst & Young AB has been RNB RETAIL AND BRANDS' Auditor since 2004.

The Auditor's duties include reviewing the Board's and CEO's administration of the company and the quality of the company's accounting records. The Auditor reports the outcome of its examination to shareholders in an Audit Report, which is presented to the AGM. In addition, the Auditor submits detailed reports to the Audit Committee at scheduled Audit Committee meetings and to the Board of Directors once annually. Apart from the Audit, the Auditor shall inform the Board of Directors of duties carried out besides Audit services, remuneration for such services and other circumstances, which are of important for the Auditor's independence. During the financial year, Ernst & Young mainly provided consultancy services pertaining to tax. RNB RETAIL AND BRANDS believes that the execution of these services does not compromise the independence of Ernst & Young.

Internal audit

To date, RNB has not found any reason to establish a specific internal audit function. The company continuously strengthens internal control and has implemented a number of control activities. The issue of a specific internal audit function is assessed annually.

The CEO and Group Management

The CEO manages operations in accordance with the approved Rules of Procedure governing the division between the CEO and the Board of Directors as well as the Board's instructions. The CEO is responsible for keeping the Board informed and for ensuring that the Board has the necessary information and complete decision-making data as far as possible. The CEO also keeps the Chairman informed of the company's and Group's performance and financial position.

The CEO and other members of Group Management hold meetings throughout the financial year to follow up budget and plans, and to discuss strategic issues. RNB RETAIL AND BRANDS' Group Management comprises four persons — the President/CEO of RNB and the CEOs of each business area.

Control of the business areas is conducted via intra-group Boards in subsidiaries, where an external Chairman, CEO and at least one CEO of a sister company are Board members. The Boards have formal Rules of Procedure that comply with the Companies Act regarding the division of duties and reporting. The formal Rules of Procedure govern Board meetings, issues to be addressed at Board meetings, the Chairman's duties, the CEO's duties and certain other matters. The Boards have scheduled meetings at least once quarterly, where matters addressed include budget follow-ups, action plans and investments.

Remuneration to the CEO and senior executives

The guidelines for remuneration and other terms of employment to senior executives are approved annually by the AGM. Senior executives are defined as the CEO and other members of Group Management. Remuneration and other terms of employment for the CEO are prepared by the Remuneration Committee and approved by the Board of Directors. Remuneration and other terms of employment for members of Group Management are prepared by the CEO, after approval by the Remuneration Committee. RNB RETAIL AND BRANDS applies market-related levels of compensation and terms of employment, necessary to recruit and motivate highly skilled management with the capability to achieve set goals. Forms of remuneration motivate Group management to do their utmost to safeguard the interests of shareholders.

Remuneration paid to members of Group management comprises basic salary and variable salary, pension and other remuneration. Basic and variable salary is determined by taking account of skills, area of responsibility and performance. The variable salary is based on the outcome in relation to clearly set goals for the company. For senior executives, the variable portion may not exceed 40 percent of the annual basic salary. Variable salary is evaluated annually and does not qualify for vacation or pension. Pension benefits are defined contribution and the standard age of retirement is 65- 67 years. Upon termination of contract, a notice period of six to twelve months applies.

The Board of RNB RETAIL AND BRANDS may diverge from these guidelines if special grounds exist in a particular case.

For information about remuneration to the Board and senior executives, see Note 6.

Internal control

Under the Swedish Companies Act and the Code, the Board is responsible for ensuring that an efficient system for internal control and risk management is in place. The CEO has been delegated the responsibility of creating a solid basis for addressing these issues. Group Management and managers at various levels in the company also hold this responsibility within their specific areas. Authority and responsibility are defined in guidelines, documents detailing responsibilities and authorization procedures. The Board of Directors continually seeks to ensure that internal control is effective by obtaining information and reporting from company management. The Audit Committee also conducts discussions with the company's Auditors regarding internal control. The aim of the company's internal control is to create an operational basis where requirements, goals and frameworks are clearly defined. The control is ultimately aimed at protecting the company's assets and thereby shareholders' investments.

Internal control at RNB follows an established framework and consists of the following five components: control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

The control environment constitutes the foundation for internal control. The control environment primarily consists of ethical values, integrity, expertise, management philosophy, organizational structure, responsibility and authority. RNB's internal Rules of Procedure, instructions, policies, guidelines and manuals are important in this context since they are used as guidelines for employees.

With regard to operating activities, the CEO and the CEOs of each subsidiary are responsible for the internal control system required to create a control environment for material risks. The CEO reports regularly to the Board on this.

Risk assessment and control activities

RNB also produces guidelines and policies governing financial control and monitoring, communication issues and business ethics. Frameworks for credit and currency management, financial control and follow-up are established through approved financial, accounting and investment policies. The company takes out insurance policies tied to property values and loss of earnings based on analyses of needs and risk.

In addition, RNB follows a Code of Conduct that applies to the Group as a whole. The Code of Conduct, which is based on a number of internationally accepted conventions, is an expression of the values and guidelines that apply within the Group in terms of business ethics, freedom and rights. The Code of Conduct is part of the Group's trade payables agreement.

The Board considers that there is sufficient understanding among employees of the need for adequate control of financial reporting. In brief, RNB's internal control structure is based on the distribution of work between company bodies, reporting to the Board, established policies and guidelines, and the fact that employees comply with policies and guidelines, ensuring that satisfactory control of financial reporting can be maintained.

RNB analyzes risk on an ongoing basis in order to identify potential sources of error within its financial reporting. The company has identified processes in which the risk of significant errors in financial reporting can be assumed to be relatively higher than in other processes, due to the complexity of the business process, or due to high amounts or large transaction volumes. RNB has documented vulnerability in certain IT systems, the risk of incorrect valuations and slow-moving inventories, including assessments of obsolescence. The documentation and

subsequent risk assessment have resulted in a number of countermeasures and control activities. Normal control activities include account reconciliation and support controls. The aim of all countermeasures and control activities is to prevent, discover and correct mistakes or deviations in financial reporting.

Risks are also deemed to exist in connection with the valuation of goodwill and also in relation to doubtful trade receivables and deferred tax assets. On the Balance Sheet date, or when indications point to a decline in value, impairment testing of goodwill is carried out to calculate the fair value of underlying assets. In this context, assumptions concerning future growth, profitability and financing are key parameters. The counterparties' ability to meet obligations for trade receivables is assessed continuously. Deferred tax assets tied to loss carryforwards are recognized to the extent that future surpluses can be utilized against deferred tax assets.

Information and communication

Correct internal and external information requires the efficient exchange and reporting of relevant and important information on operations between all areas. To achieve this, RNB has produced policies and guidelines pertaining to the handling of information in the financial process and insider rules, which Group management has communicated to staff. There have been no violations leading to disciplinary measures from Nasdaq Stockholm, the Council for Swedish Financial Reporting Supervision or a statement from the Swedish Securities Council in the financial year or subsequent period.

Follow up by the Board

The Board continuously evaluates the information submitted by management. The Board also monitors the efficiency of the work of management. The Board's work includes ensuring that measures are implemented to address the inadequacies and suggestions for corrective measures that may have arisen in connection with the external Audit. The Board receives periodic financial reports, and the financial position of the company and the Group are dealt with at each Board meeting. The Board receives daily sales reports.

Stockholm, Sweden, December 1, 2020

Per Thunell
Chairman

Joel Lindeman
Board member

Michael Lemner
Board member

Kristian Lustin
President and CEO

Auditor's Report on the Corporate Governance Statement

To the Annual General Meeting of the shareholders of RNB RETAIL AND BRANDS AB (publ), Corp. ID No. 556495- 4682

Assignment and division of responsibilities
The Board of Directors and CEO are responsible for the Corporate Governance Report for the financial year September 1, 2019 – August 31, 2020 on pages 82– 89 and for its preparation in accordance with the Annual Accounts Act.

Scope and focus of the review
Our review has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's opinion regarding the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and is significantly limited in scope compared to the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a sufficient basis for our opinion.

Opinions
A Corporate Governance Report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, Sweden, December 1, 2020

Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

The Share

RNB's share was listed on Nasdaq Stockholm in June 2001 under the ticker RNBS and is currently traded on the small cap list.

Trading and share performance

The closing share price on August 31, 2020 was SEK 0,70, corresponding to market capitalization of SEK 71,215,570. The highest price quoted in the financial year was SEK 4.31 and the lowest SEK 0.23.

Share capital

As of August 31, 2020, RNB's registered share capital amounted to SEK 30,520,959 distributed over 101,736,528 shares with a quotient value of SEK 0.3 per share. All shares are common shares.

Shareholders

As of August 31, 2020, the number of shareholders amounted to 7,389, of which 97.4 percent were registered in Sweden. RNB's ten largest owners held shares corresponding to 66.2 percent of the capital and voting rights in the company.

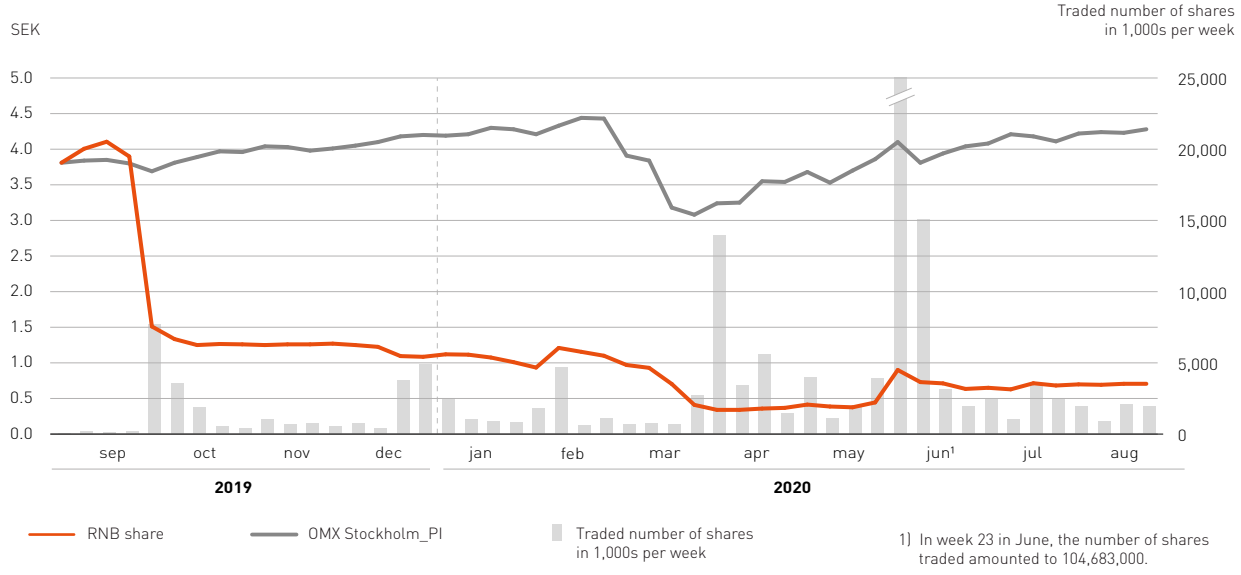
Proposed dividend

The Board of Directors proposes to the AGM that no dividend be paid for the financial year 2019/2020.

Stock market information

RNB aims to provide the stock market with clear and up-to-date information. Financial information is mainly provided in the Annual Report, Year-end Report and in the three Interim Reports. Before publication of Interim and Year-end reports, RNB observes a silent period of two weeks. RNB's Annual Report is only distributed via the Group website and on request from the company. Read more at www.rnb.se/en/Investor-Relations/

The RNB share



1) In week 23 in June, the number of shares traded amounted to 104,683,000.

Owners as of August 31, 2020

Largest shareholders	No of shares	Share capital/ votes, %
Konsumentföreningen Stockholm	41,832,649	41.1
Novobis AB	11,957,790	11.8
Nordnet Pensionsförsäkring AB	4,029,560	4.0
Avanza Pension Försäkringsaktiebolaget	2,411,252	2.4
Strategiq Capital AB	2,100,000	2.1
SEB Investment Management	1,885,670	1.9
Magnus Jansson	1,050,070	1.0
Gynningskust Holding AB	718,160	0.7
Lars-Erik Harvig	649,000	0.6
Hans Christer Artursson	607,409	0.6
Total, largest shareholders	**67,241,560**	**66.2**
Other	34,494,968	33.8
Total	**101,736,528**	**100.0**

Ownership structure as of August 31, 2020

Size of shareholding by category	No. of shareholders	Share capital/ votes, %
1– 500	4,365	0.5
501– 1,000	806	0.6
1,001– 5,000	1,229	3.0
5,001– 10,000	385	3.0
10,001– 15,000	162	2.0
15,001– 20,000	99	1.8
20,001 –	343	89.1
Total	**7,389**	**100.0**

Key data per share*

SEK/per share	2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
Earnings per share	0.76	0.90	1.07	-4.20	-5.21
Dividend per share	0.25	0.30	0	0	0
Buy price of the share at year-end on OMX Nordic	11.6	12.55	8.3	3.8	0.7
Equity per share	9.54	10.03	11.48	6.93	-1.30

* Earnings per share and average number of shares have been calculated according to the definition in IFRS.
In connection with the new issue, shares have been merged 200:1. Historical comparable figures for average number of shares and Earnings per share have been adjusted for this.

Share capital progress

Year, transaction	Increase in no. of shares	Accumulated no. of shares	Increase in share capital	Accumulated share capital	Quotient value per share, SEK
1997, Opening balance		90,000		9,000,000	100
1998, New issue	11,250	101,250	1,125,000	10,125,000	100
2000, New issue	106,125	207,375	10,612,500	20,737,500	100
2001 Split 25:1	4,977,000	5,184,375		20,737,500	4
2001, New issue	150,000	5,334,375	600,000	21,337,500	4
2001, New issue	253,740	5,588,115	1,014,960	22,352,460	4
2001, New issue	2	5,588,117	8	22,352,468	4
2001, New issue	1,916,320	7,504,437	7,665,280	30,017,748	4
2005, New issue	800,000	8,304,437	3,200,000	33,217,748	4
2005 Split 2:1	8,304,437	16,608,874		33,217,748	2
2006 Split 2:1	16,608,874	33,217,748		33,217,748	1
2006, New issue	20,871,016	54,088,764	20,871,016	54,088,764	1
2006, New issue	1,083,562	55,172,326	1,083,562	55,172,326	1
2006, New issue	755,286	55,927,612	755,286	55,927,612	1
2006, New issue	151,220	56,078,832	151,220	56,078,832	1
2006 Conversion of debt instrument	1,000,000	57,078,832	1,000,000	57,078,832	1
2008, New issue	57,078,832	114,157,664	57,078,832	114,157,664	1
2009, New issue	34,959,350	149,117,014	34,959,350	149,117,014	1
2009, New issue	16,308,237	165,425,251	16,308,237	165,425,251	1
2013, New issue	6,617,009,949	6,782,435,200	38,047,805	203,473,056	0.03
2013 Merger 200:1	–6,748,523,024	33,912,176		203,473,056	6
2019, Share capital reduction	0	33,912,176	–193,299,403	10,173,653	0.3
2019, New issue	67,824,352	101,736,528	20,347,306	30,520,959	0.3

Five-year summary

Income Statement

SEK M	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	Sep 18–Aug 19	**Sep 19–Aug 20**
Revenue	2,189.8	2,251.6	2,272.3	2,296.3	1,830.3
Operating income	36.3	62.6	47.1	-110.2	-341.3
Net financial items	-10.4	-29.9	-8.4	-32.4	-93.0
Profit/loss after financial items	25.8	32.7	38.8	-142.6	-434.3
Net income for the year	**25.9**	**30.4**	**36.5**	**-142.5**	**-434.8**

Balance Sheet

SEK M	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	Sep 18–Aug 19	**Sep 19–Aug 20**
Non-current assets	535.8	509.5	537.7	479.8	1,049.5
Inventories	404.1	427.7	499.3	458.4	378.6
Trade receivables	45.6	53.4	50.0	42.3	29.8
Other current assets	93.0	95.8	127.3	120.7	116.8
Cash and cash equivalents	24.2	36.4	11.3	10.6	161.1
Assets included in disposal groups are classified as if held for sale/discontinuation	–	–	–	–	–
Total assets	**1,102.6**	**1,122.9**	**1,225.4**	**1,112.0**	**1,735.7**
Shareholders' equity	323.5	340.0	389.4	235.0	-132.5
Non-current liabilities	401.8	399.0	418.5	422.8	1,069.3
Current liabilities	377.3	383.9	417.6	454.2	799.0
Liabilities in disposal groups are classified as if held for sale/discontinuation	–	–	–	–	–
Total equity and liabilities	**1,102.6**	**1,122.9**	**1,225.4**	**1,112.0**	**1,735.7**

Key ratios

	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	Sep 18–Aug 19	**Sep 19–Aug 20**
Gross profit margin, %	50.3	50.6	49.9	49.1	47.5
EBIT margin, %	1.7	2.8	2.1	-4.9	-19.1
Profit margin, %	1.2	1.4	1.6	-6.3	-24.4
Risk-bearing equity, SEK m	323.5	340.0	389.4	235.0	-132.5
Share of risk-bearing equity, %	29.3	30.3	31.8	21.1	-7.6
Equity/assets ratio, percent	29.3	30.3	31.8	21.1	-7.6
Capital employed, SEK M	726.6	739.0	834.1	657.7	936.8
Return on capital employed, %	5.2	8.9	8.4	-14.5	-42.5
Return on equity, %	8.2	9.2	10.0	-45.6	-848.6
Number of full-time employees	1,047	1,028	1,021	992	757
Number of proprietary stores at end of period	202	198	202	201	154
Number of franchise stores and e-commerce platforms at end of period	61	61	59	46	34

Per share data*

	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	Sep 18–Aug 19	**Sep 19–Aug 20**
Profit after tax, SEK	0.76	0.90	1.07	-4.20	-5.21
Equity, SEK	10	10	11	7	-1
Average number of outstanding shares, thousands	33,912	33,912	33,912	33,912	83,391
Number of shares at year-end, thousands	33,912	33,912	33,912	33,912	101,737

* Earnings per share and average number of shares have been calculated according to the definition in IFRS.
In connection with the new issue, shares have been merged 200:1.
Historical comparable figures for average number of shares and Earnings per share have been adjusted for this.

Key performance measures

SEK M	**Aug 31, 20**	Aug 31, 19
Net sales	1,783.5	2,266.7
Goods for resale	-935.6	-1,154.1
Gross profit	**847.9**	**1,112.6**
Other operating income	46.8	29.6
Other external expenses	-279.3	-570.4
Personnel expenses	-463.6	-570.2
Depreciation/amortization of property, plant and equipment	-304.2	-46.7
Impairment of goodwill	-184.0	-65.0
Profit/loss from divestment of subsidiaries	-4.8	–
Operating income	**-341.3**	**-110.1**
Interest income and similar profit/loss items	2.8	2.2
Interest expenses and similar profit/loss items	-95.8	-32.0
Unrealized gains on currency derivatives	0.0	-2.6
Net financial items	**-93.0**	**-32.4**
Profit/loss after financial items	**-434.3**	**-142.5**
Adjustments:		
Tax on profit for the period	-0.5	0.1
Profit for the period	**-434.8**	**-142.5**
Operating income	-341.3	-110.1
Depreciation/amortization of property, plant and equipment	304.2	46.7
Impairment of goodwill	184.0	65.0
Operating income before depreciation/amortization of property, plant and equipment (EBITDA)	**146.9**	**1.6**
Operating income	-341.3	-110.1
Other external expenses IFRS16	-296.5	–
Depreciation/amortization of right-of-use assets IFRS 16	263.2	–
Goodwill impairment	184.0	65.0
Operating income, excluding IFRS 16 and goodwill impairment	**-190.6**	**-45.1**
Loans	0.0	0.0
Contingent purchase consideration	0.0	22.8
Other non-current interest-bearing liabilities	412.3	397.2
Other non-current liabilities	0.0	2.7
Long-term lease liabilities	657.0	–
Non-current liabilities	**1,069.3**	**422.7**
Loans	0.0	0.0
Contingent purchase consideration	21.3	22.8
Long-term lease liabilities	657.0	–
Other non-current interest-bearing liabilities	412.3	397.2
Current lease liabilities	168.0	–
Other current interest-bearing liabilities	61.5	32.9
Cash and cash equivalents	-161.1	-10.6
Net debt	**1,158.9**	**442.3**

SEK M	**Aug 31, 20**	Aug 31, 19
Equity OB	235.0	389.4
Equity CB	-132.5	235.0
Average equity	**51.2**	**312.2**
Total assets	1,735.7	1,112.0
Trade payables	-228.0	-215.2
Current lease liabilities	-168.0	–
Other current liabilities	-403.0	-239.0
Capital employed	**936.8**	**657.7**
Profit for the period	-434.8	-142.5
Average equity	51.2	312.2
Return on equity	**-848.8**	**-45.6**
Capital employed OB	657.7	834.1
Capital employed CB	936.8	657.7
Average capital employed	**797.3**	**745.9**
Interest expenses and similar profit/loss items	-95.8	-32.0
Unrealized expense on currency hedges	0.0	-2.6
Profit/loss after financial items	-434.3	-142.5
Average capital employed	797.3	745.9
Return on capital employed	**-42.5**	**-14.5**
Operating income	-341.3	-110.1
Interest income and similar profit/loss items	2.8	2.2
Unrealized income on currency hedges	0.0	0.0
Earnings after financial items	**-338.5**	**-107.9**

Definitions of key ratios

This report contains financial metrics not defined in IFRS. These financial metrics are used to follow-up, analyze and control operations and to provide the Group's stakeholders with financial information about the Group's financial position, results and performance. These financial targets are considered necessary to follow and control progress of the Group's financial goals and are relevant to present on a continual basis.

A list of definitions of the key ratios used in this report follows.

MARGIN METRICS

Gross profit margin
Net sales less goods for resale in relation to net sales.

Purpose: The margin illustrates the proportion of sales remaining to cover other expenses.

Operating margin
Operating income as a percentage of net sales.

Purpose: The measure is used to measure operational profitability.

Operating margin excluding IFRS 16
Operating profit excluding effects of the IFRS 16 reporting standard as a percentage of net sales (this KPI includes lease charges as an operating expense and not as depreciation/amortization and interest expenses).

Purpose: The measure is used to measure operational profitability and illustrate the effect of the relatively new reporting standard IFRS 16, thus facilitating comparability with earlier periods.

RETURN METRICS

Return on equity
Net income excluding minority interests as a percentage of average equity. Average equity is calculated as equity attributable to the Parent Company's shareholders at the beginning of the year plus equity attributable to the Parent Company's shareholders at year-end divided by two.

Purpose: The measure illustrates the return generated by the company on shareholders' equity.

Return on capital employed
Profit after net financial items plus financial expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at year-end divided by two. Capital employed is calculated as equity plus interest-bearing liabilities.

Purpose: Illustrates the company's returns independent of financing.

FINANCIAL METRICS

Equity/assets ratio
Shareholders' equity in relation to total assets.

Purpose: Equity/assets illustrates the proportion of assets financed by equity.

Equity/assets ratio excluding IFRS 16
Equity in relation to total assets excluding effects from the reporting standard IFRS 16 (this KPI does not include lease contracts as an asset/liability in the Balance Sheet).

Purpose: Equity/assets illustrates the proportion of assets financed by equity. Removing the effect of the IFRS 16 reporting standard from the KPI facilitates comparability with previous periods.

Net debt
Loans and other current and non-current interest-bearing liabilities less financial assets including cash and cash equivalents.

Purpose: Net debt illustrates the ability to pay off interest-bearing liabilities using available liquid funds if due on the date of calculation.

Net debt excluding IFRS 16
Loans and other non-current and current interest-bearing liabilities less financial assets including cash and cash equivalents, excluding the effect of the accounting standard IFRS 16. (This KPI does not include lease contracts as an asset/liability in the Balance Sheet.)

Purpose: Net debt illustrates the ability to pay off interest-bearing liabilities using available liquid funds if due on the date of calculation. Removing the effect of the IFRS 16 reporting standard from the KPI facilitates comparability with previous periods.

Net debt equity ratio
Net debt as a percentage of equity attributable to Parent Company shareholders.

Purpose: The measure illustrates the company's financial strength.

Interest coverage ratio
Profit after net financial items plus financial expenses divided by financial expenses and the expense for unrealized results on currency forwards.

Purpose: Interest coverage ratio illustrates the company's ability to cover its financial expenses.

Ratio of net debt and operating income before depreciation/amortization
Debt less investments and cash and cash equivalents divided by operating income before depreciation/amortization.

Purpose: The measure illustrates the Company's ability to pay its debts.

SHARE-BASED METRICS

Equity per share
Equity attributable to the Parent Company's shareholders divided by the number of shares at the end of the period.

Purpose: The measure illustrates shareholders' equity per share.

Earnings per share
Net income divided by the weighted average number of shares during the period.

Purpose: The performance measure is used to evaluate investment performance from a shareholder perspective.

OTHER TERMS

Number of full-time employees
Total number of hours of attendance during the 12-month period divided by the normal hours worked per year in each country.

Average number of shares
Weighted average of outstanding ordinary shares in the period.

Sales for comparable units, change %
Change in sales for comparable units including e-commerce after adjustment for opened/closed units and exchange rate effects.

Sales points

Physical stores, proprietary e-commerce sites and e-commerce partnerships.

The Swedish Retail and Wholesale Trade Research Institute.
Index representing sales development of clothes in physical stores and online in Sweden, measured by comparable units and by ongoing pricing. Presented by Svensk Handel Stil. HUI Research is responsible for collection and processing.

Total expenses
Total expenses include: other external expenses, personnel expenses and depreciation/amortization.

Total band sales
Total sales in proprietary stores and franchisee stores to consumers, excluding sales tax, on all markets, measured on a rolling 12-month basis.

Restructuring expenses
Restructuring expenses are costs related to the separation and disposal project agreed at the AGM December 20, 2018 and finalized in February 2020.

Operating profit before restructuring costs
Operating profit according to the Income Statement, excluding costs related to the separation and disposal project agreed at the AGM in December 2018.

Operating income before restructuring and goodwill impairment
Operating profit according to the Income Statement, excluding costs related to the separation and disposal project agreed at the AGM December 20, 2018, including goodwill impairment.

Operating profit excluding IFRS 16
Operating profit according to the Income Statement adjusted for the effect of the IFRS 16 reporting standard (this KPI includes lease charges as an operating expense and not as depreciation/amortization and interest expense).

Calendar

12/22/2020	Interim Report for the first quarter
12/22/2020	Annual General Meeting
3/25/2021	Interim Report for the second quarter
6/24/2021	Interim Report for the third quarter
10/7/2021	Interim Report for the fourth quarter

Information about the AGM

The AGM will be held on December 22, 2020.

On the basis of legislation (2020:198) regarding temporary exemptions to facilitate shareholders' meetings, the AGM will be held without requiring the presence of shareholders, representatives and external parties who are not shareholders, and shareholders will be able to exercise their voting rights in a mail-in ballot before the AGM.

Participation
Shareholders wishing to participate in the AGM through a mail-in ballot must be included in the Securities Register maintained by Euroclear Sweden AB no later than December 14, 2020, and notify the Company of their intention to participate by mail-in ballot no later than December 21, 2020.

Mail-in ballot
To participate in the mail-in ballot, shareholders must use a dedicated form available on the Company's website www.rnb.se. Completed and signed mail-in ballots can be mailed to RNB RETAIL AND BRANDS AB (publ), P.O. box 161 42, SE-103 23 Stockholm, Sweden, or by email to info@retailandbrands.se. Completed forms shall have been received by the Company by mail or email by no later than December 21, 2020.

Nominee-registered shares
Shareholders whose shares are held through nominees must arrange for temporary registration of the shares in their own name in order to be entitled to participate in the AGM. Such registration must be completed with Euroclear Sweden AB by Wednesday, December 16, 2020. Shareholders should request nominees to process re-registration in good time before this date.

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