

RNB

INTERIM REPORT

1 SEPTEMBER 2016 – 28 FEBRUARY 2017

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RNB RETAIL AND BRANDS

POLARN O. PYRET

DEPARTMENTS & STORES

BROTHERS

Continued improvements in earnings

Operating income during the second quarter amounted to SEK 11 M, an improvement of SEK 10 M, compared to the year-earlier period. In total all business areas developed better than the market. The reorientation efforts relating to Polarn O. Pyret continued to deliver positive results. The challenges for Departments & Stores moderated during the second quarter. Brothers performed in line with the previous year.

SECOND QUARTER, DECEMBER 1, 2016 – FEBRUARY 28, 2017 IN SUMMARY

- Sales in comparable stores in Sweden increased during the quarter by 0.6 percent, which was a better development compared to the market's decrease of 2.4 percent.
- Net sales totaled SEK 590 M (573), an increase of 3.1 percent.
- Operating income increased to SEK 11 M (1).
- Operating income before amortization for the latest 12-month period totaled SEK 116 M (86).
- Profit after tax amounted to SEK –3 M (–5), which corresponds to SEK –0.08 (–0.14) per share.
- Cash flow from operating activities was SEK 26 M (20)

THE PERIOD, SEPTEMBER 1, 2016 – FEBRUARY 28, 2017 IN SUMMARY

- Sales in comparable stores in Sweden decreased during the period by 0.4 percent.
- Net sales amounted to SEK 1,175 M (1,129), equivalent to an increase of 4.0 percent.
- Operating income amounted to SEK 57 M (30).
- Profit before tax amounted to SEK 55 M (26).
- Profit after tax amounted to SEK 55 M (26), which corresponds to SEK 1.63 (0.76) per share.
- Cash flow from operating activities was SEK 63 M (36).

CONTACT

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PRESS AND ANALYST MEETING

RNB will hold a press and analyst conference in connection with publication of today's interim report for the second quarter 2016/2017. The conference will be presented by Magnus Håkansson, President and CEO and Kristian Lustin, CFO, today, March, 2017 at 09:30 a.m. and can be followed through a teleconference/audiocast.

To participate in the teleconference please call before the opening of the conference:

+46 8 566 426 90 (Sweden)
+44 20 300 898 06 (UK)
+1 855 753 22 35 (US)

Or through the following link: <http://www.rnb.se/Investor-relations/>

FINANCIAL CALENDAR

Interim report, third quarter 2016/2017 June, 21 2017
Interim report, fourth quarter 2016/2017 October, 12 2017

This information is such that RNB RETAIL AND BRANDS AB is required to disclose according to the EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the above contact persons, on March 27, 2017 at 7:30 a.m. CET.

Both an English version and a Swedish version of this report have been prepared. In the event of a difference between the two reports, the Swedish version shall prevail.

Comments from the CEO

CONTINUING IMPROVEMENTS IN EARNINGS

Polarn O. Pyret continued its strong performance from the first quarter and delivered a significant earnings improvement, equivalent to more than the entire improvement in earnings for the Group in the quarter.

The during the first quarter judged temporary earnings decrease in Departments & Stores has been indicated correct when the result during the second quarter is back on the same level as the previous year. Brothers is also reporting earnings in line with the previous year. Costs for the e-commerce concept Man of a kind, which is under development, were charged to results during the quarter as planned.

Overall, our three concepts performed 0.3 percent better for the Swedish market in comparable stores and sales increased by three percent in total during the second quarter. According to the Swedish Trade Federation's Stilindex, the period began with a sales decrease in comparable stores of 2.4 percent for the Swedish market in total.

POLARN O. PYRET – CONTINUED POSITIVE EFFECTS FROM THE TURNAROUND WORK

Polarn O. Pyret improved its earnings during the quarter by more than SEK 13 M and reported operating income of just over SEK 7 M. After the large number of changes Polarn O. Pyret carried out regarding its international structure, organization and value proposition, the first positive effects started to become apparent during the fourth quarter of the previous year and have gradually strengthened since then. Sales during the second quarter fell by just over four percent in comparable stores in Sweden. We are not pleased with this performance, however the development is partly explained by offering and price activities which will result in a gross margin improvement. The total effect of sales and gross margin development is driving improved earnings during the quarter. The cost base for the business area's central functions as well as hours in the stores have been reduced, which also contributed to the improved earnings. Strong e-commerce growth was reported in all countries. The renewal of the Assortment range is in progress and combined with more efficient sourcing routines, this will gradually deliver positive results during the present fiscal year. Thus, there is good potential for continued improvements in earnings over the coming periods.

BROTHERS – THE POSITIVE LONG-TERM TREND REMAINS

Brothers' operating income of SEK -4 M is in line with the year-earlier period. Even though the second quarter did not produce an improvement in earnings, it is important to see this in a longer perspective and in light of the fact that Brothers reported positive operating income of SEK 11 M for the first six months of the year. Sales continued to beat the market and gross margins were in line with the previous year. Intense efforts are ongoing to develop Brothers'

market-leading service concept and digitalization of the business, which taken together, is creating great potential. The assortment range has worked very well overall and the development of the proprietary East West brand has started to bear fruit. Based on increased sales and continued strong gross margins, we still expect that Brothers' operating income will improve for the full-year.

DEPARTMENTS & STORES – GOOD COST CONTROL

Department & Stores' operating income of SEK 18 M was in line the year-earlier period. A number of recently built departments began operating during the previous quarter and contributed to positive sales and earnings impact during the entire second quarter. The cost increases that arose in the first quarter have now been neutralized through good cost control, which impacted operating income positively. The recent decline in visitor numbers has now been halted and the trend is now marginally positive. Sales in comparable stores increased by 2.7 percent, which was better than the market development in Sweden. The Gothenburg business showed a strong performance during the quarter and thus offset the slightly weaker development at NK in Stockholm.

POSITIVE FULL-YEAR EXPECTATIONS

The previous prediction of a continued strong development for the Group over the coming quarters remains unchanged. The reorientation work relating to Polarn O. Pyret will continue to deliver positive results, the temporary unfavorable earnings decrease in Departments & Stores now has recovered and our assessment is that Brothers will perform in line with previous strong quarters. All of this combined with the record-strong overall earnings trend in the first two quarters, is creating a good basis for achieving a significant improvement in earnings in 2016/2017 compared to the 2015/2016 fiscal year.

Magnus Håkansson
President & CEO



RNB RETAIL AND BRANDS

RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. RNB has operations in 10 countries and the total number of stores in the RNB Group amounts to 261, of which 65 are operated by franchisees. The RNB RETAIL AND BRANDS share has been listed on the Nasdaq Stockholm Exchange since 2001 in the Small Cap segment, retail sector under the ticker RNBS. Sales are mainly conducted through the store concepts Brothers and Polarn O. Pyret. In the Departments & Stores business area, RNB RETAIL AND BRANDS manages departments at NK in Stockholm and in Gothenburg.

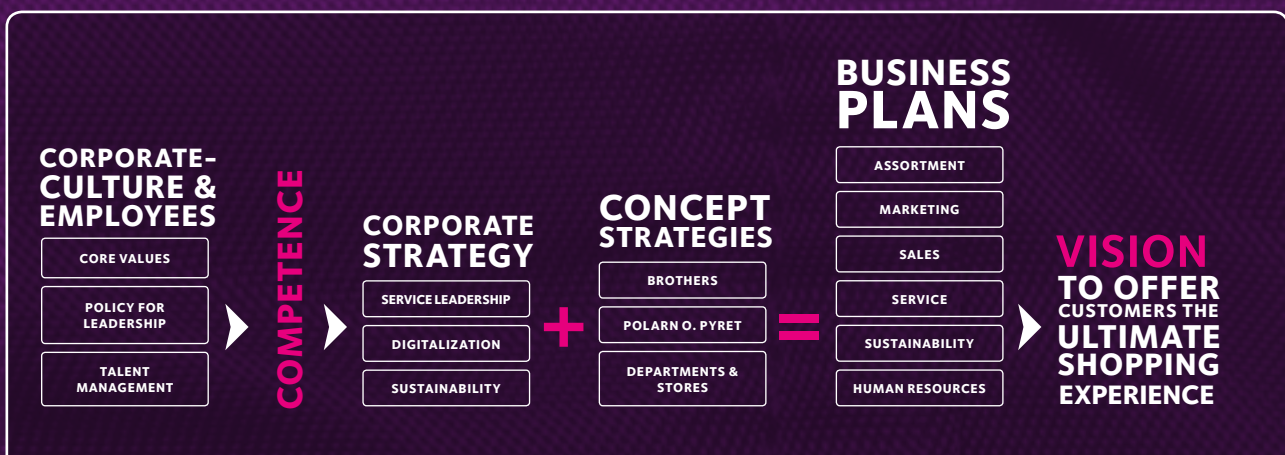
Vision

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

Business concept

RNB RETAIL AND BRANDS' business concept is to realize synergies among the operations as an active owner, which develops and distributes brands through distinct concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics where the customer is provided with excellent service and a world-class shopping experience.

Business model



The illustration above describes how the corporate culture and core values – “The customer is most important”, “We believe in people”, “We do sustainable and smart business”, “Direct communication”, strategies along with our vision give expression to RNB’s business model and way forward. The core values pervade the entire operations and define RNB’s strong corporate culture, which in turn is an important starting point for our strategy. The strategies are then made concrete in the business plans for each subsidiary with the aim of realizing our vision.

The starting point of RNB’s strategy is to work through three clearly positioned and differentiated store concepts towards each respective target group. The concepts are characterized by inspiring stores, a high level of service with a clear digital presence, accessibility and as well as an attractive fashion range. Sales are conducted in large cities, smaller towns and shopping centers and through e-commerce. The operations in all respects shall be conducted on the basis of an ambition for clear and long-term sustainability.

Revenue and earnings, RNB Group

SECOND QUARTER, DECEMBER 1, 2016 – FEBRUARY 28, 2017

Reported net sales for the Group's concept during the second quarter increased from 573 million in the previous year to 590 million, equivalent to an increase of 3.1 percent. The business areas Departments & Stores and Polarn O. Pyret increased their sales while Brothers reported a slightly lower sales during the quarter. For comparable stores in Sweden the sales increase was 0.6 percent and for all countries, a decline of 0.5 percent, calculated in Swedish kronor.

In late August 2016, the e-commerce concept Man of a kind (www.manofakind.se) was launched. Sales for Man of a kind during the quarter has been marginal and are reported within the business area Other.

Gross margin for the Group decreased during the quarter to 46.5 percent (47.0), where Polarn O. Pyret increased its gross margin while Brothers and Departments & Stores gross margins fell slightly.

Total operating expenses increased compared to the previous year mainly due to the consolidation of Polarn O. Pyret's operations in Finland, which was acquired in the third quarter last year. Excluding operations in Finland's costs at a lower level compared with the corresponding quarter last year.

Operating profit increased by SEK 10 million to SEK 11 million (1).

Net financial items summed to SEK -14 million (-5) and profit after tax amounted to SEK -3 million (-5). Unrealized results on currency futures have impacted financial net by MSEK -10 (-3).

Market development in the quarter

In Sweden, the sales in the clothing trade decreased -2.4 percent in the quarter, according to the Stilindex (Swedish Retail and Wholesale Trade Research Institute (HUI)). Sales of men's, women's, and children's clothing in Finland fell by -5.4 percent in December and -5.2 percent in January, according Tekstiili- ja Muotialat TMA (Textile and fashion suppliers and retailers Finland).

THE PERIOD, SEPTEMBER 1, 2016 – FEBRUARY 28, 2017

Reported net sales for the Group's concepts during the period increased, from SEK 1 129 M in the previous year to SEK 1 175 M, equivalent to an increase of 4.0 percent. The business areas Departments & Stores and Polarn O. Pyret increased their sales while Brothers reported slightly lower sales during the period. For comparable stores in Sweden, the sales decrease was 0.4 percent (Stilindex -2.2 percent) and in all countries the decrease was 0.8 percent, calculated in Swedish kronor.

In late August 2016, the e-commerce concept Man of a kind (www.manofakind.se) was launched. Sales for Man of a kind are reported under the business area Other and were marginal during the quarter. Gross margin for the Group increased during the quarter to 50.7 percent (49.6), where Brothers and Polarn O. Pyret increased their margins, while the gross margin in Departments & Stores fell slightly.

Total overhead costs increased compared to the previous year mainly due to the consolidation of Polarn O. Pyret's operations in Finland, which were acquired during the third quarter of the previous year. Excluding the operations in Finland, overhead costs were at a lower level compared to the year-earlier period.

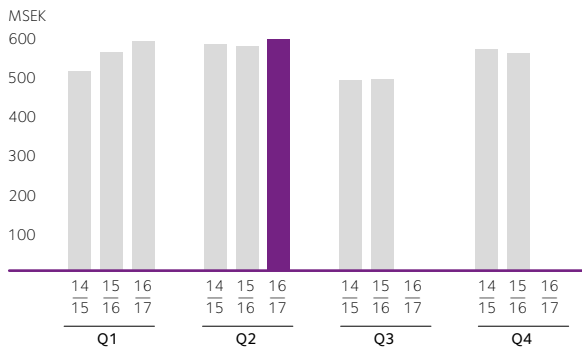
Operating income increased by SEK 27 M to SEK 57 M (30), i.e. equivalent to an increase of 26.6 percent.

Net financial items amounted to SEK -2 M (-5) and profit after tax amounted to SEK 55 M (26). Unrealized results on futures contracts affected net financial items by SEK 6 M (1).

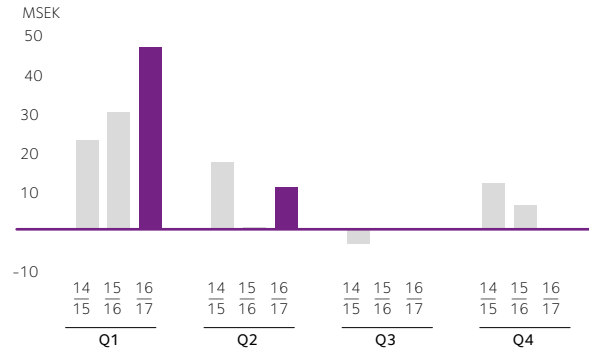
Group overview

	3 months		6 months		12 months	
	Dec 2016	Dec 2015	Sep 2016	Sep 2015	Mar 2016	Sep 2015
	-Feb 2017	-Feb 2016	-Feb 2017	-Feb 2016	-Feb 2017	-Aug 2016
Net sales, SEK M	590	573	1,175	1,129	2,219	2,173
Gross margin (%)	46.5	47.0	50.7	49.6	50.9	50.3
Operating income, SEK M	11	1	57	30	63	36
Profit before tax, SEK M	-4	-5	55	26	55	26
Profit after tax, SEK M	-3	-5	55	26	55	26
Operating margin (%)	1.8	0.1	4.8	2.7	2.8	1.7
Earnings per share, SEK	-0.08	-0.14	1.63	0.76	1.63	0.76
Cash flow from operating activities, SEK M	26	20	63	36	91	64
Number of stores			261	264	261	263

Net sales per quarter






Operating income per quarter



Financial overview business areas

RNB RETAIL AND BRANDS reports sales and results for three business areas: Brothers, Departments & Stores and Polarn O. Pyret.

Business area	Net sales, interim period	Share, %	Operating income, interim period	Stores
BROTHERS	258 MSEK	 22%	11 MSEK	Total 75 of which 22 franchise Sweden 62 of which 22 franchise Finland 13 of which 0 franchise
DEPARTMENTS & STORES	512 MSEK	 44%	29 MSEK	Total 42 NK Stockholm 27 NK Gothenburg 15
POLARN O. PYRET	404 MSEK	 34%	37 MSEK	Total 144 of which 43 franchise Sweden 64 of which 7 franchise Norway 29 of which 0 franchise Finland 18 of which 3 franchise England 18 of which 18 franchise USA 5 of which 5 franchise Estonia 4 of which 4 franchise Ireland 2 of which 2 franchise Scotland 2 of which 2 franchise Iceland 1 of which 1 franchise Latvia 1 of which 1 franchise
Total RNB RETAIL AND BRANDS	1,175 MSEK		57 MSEK	261 stores 10 countries

Net Sales and Operating Income per Business Area	3 months		6 months		12 months	
	Dec 2016 –Feb 2017	Dec 2015 –Feb 2016	Sep 2016 –Feb 2017	Sep 2015 –Feb 2016	Mar 2016 –Feb 2017	Sep 2015 –Aug 2016
Net sales, SEK M						
Brothers	128.0	131.3	258.1	259.2	524.9	526.0
Departments & Stores	276.9	267.1	511.9	505.3	965.2	958.6
Polarn O. Pyret	184.8	174.1	403.6	364.4	727.7	688.5
Other	0.5	0.0	0.9	0.0	0.9	0.0
Total	590.2	572.5	1,174.5	1,128.9	2,218.7	2,173.1
Operating income, SEK M						
Brothers	-4.1	-4.0	10.8	0.6	23.0	12.8
Departments & Stores	17.7	18.0	28.8	38.7	48.1	58.0
Polarn O. Pyret	7.3	-5.8	36.9	5.7	25.9	-5.3
Other	-10.3	-7.7	-19.6	-14.7	-34.1	-29.2
Total	10.6	0.5	56.9	30.3	62.9	36.3

BROTHERS

Brothers is a fashion concept for men and has a total of 75 (76) stores including e-commerce stores in Sweden and Finland. Of the total number of stores, 22 (23) are operated by franchisees.

SECOND QUARTER, DECEMBER 1, 2016 – FEBRUARY 28, 2017

Net sales for Brothers totaled SEK 128 M (131), a decrease of 2.5 percent. Net sales during the quarter decreased in proprietary stores but showed a continued strong increase in e-commerce. Sales on the franchise side remained at the same level as the year-earlier period, despite five fewer franchise stores.

Sales in comparable proprietary stores in Sweden and Finland decreased by 1.6 percent. The number of paying customer in the stores was in line with the same quarter of last year while the average spend increased. Total brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 601 M (594), measured on a rolling 12-month basis.

Gross margin for the business area decreased during the quarter compared to the same quarter previous year. The decreased gross margin was due to a slightly higher proportion of price activities. Overhead costs in Brothers are at an unchanged level compared to the corresponding quarter last year. Operating income amounted to SEK -4 M (-4), corresponding to an operating margin of -3.2 (-3.0) percent.

Inventories decreased during the quarter and were also lower than the year-earlier quarter. The inventory level is of a good quality and corresponds to the planned product demand. In the end of the quarter, one new store was opened at Västermalmsgallerian in Stockholm.

THE PERIOD, SEPTEMBER 1, 2016 – FEBRUARY 28, 2017

Net sales for Brothers totaled SEK 258 M (259), a decrease of 0.4 percent. Net sales for Brothers showed an increase in proprietary stores but was partly offset by an increase in e-commerce. Sales on the franchise side remained at the same level as the year-earlier period.

Sales in comparable proprietary stores in Sweden and Finland increased by 0.8 percent. The number of paying customer in the stores were lower than the same quarter of last year while the average spend increased.

Gross margin for the business area increased compared to the year-earlier period. The increased gross margin was due to a higher proportion of proprietary brand sales and reduced price activities. The increased sales at a higher margin meant a higher gross profit.

Overhead costs in Brothers are at a lower level compared to the year-earlier period. Operating income is positive in the period and amounted to SEK 11 M (1), an increase of SEK 10 M. Operating margin was 4.2 (0.2) percent.

Inventories decreased during the quarter and were also lower than the year-earlier quarter. The inventory level is of a good quality and corresponds to the planned product demand.



DEPARTMENTS & STORES

The business area comprises operations at the department stores NK Stockholm and NK Gothenburg. The number of proprietary stores at the end of the period was 42 (44).

SECOND QUARTER, DECEMBER 1, 2016 – FEBRUARY 28, 2017

Net sales in the Departments & Stores business area amounted to SEK 277 M (267), an increase of 3.7 percent. The number of visitors to the department stores was at the same level compared with the year-earlier quarter where Gothenburg showed an increase. The number of customers was lower during the period but an increased average spend contributed to a higher sales trend.

Gross margin was lower compared to the same quarter last year, due to increased price activities and sales mix. Overhead costs are unchanged compared to the previous year, despite new store space and normal cost increases.

Operating income amounted to SEK 18 M (18), with an operating margin of 6.4 percent (6.7).

The business area's inventories decreased during the quarter and were lower at the end of the quarter than the previous year. The decrease compared to the previous year was due to price reductions during the quarter, which also compensated for an increase in inbound deliveries for the coming season, new premium brands, more upscale and expensive goods and altered contractual terms lead to higher inventory levels.

THE PERIOD, SEPTEMBER 1, 2016 – FEBRUARY 28, 2017

Net sales in the Departments & Stores business area amounted to SEK 512 M (505), an increase of 1.3 percent. The number of visitors to the department stores decreased in the beginning of the period compared with the year-earlier period but was almost fully compensated by an increase towards the end of the quarter to stabilize at the same level as last year. The number of customers was slightly lower during the period but an increased average spend contributed to a stronger sales trend.

Gross margin fell slightly compared to same quarter of the previous year, mainly due to slightly more price activities during the second quarter and the sales mix.

Overhead costs were higher than the previous year where the largest change was due to higher costs for premises related to expanded retail space, increased rents and effects of allocation to particular periods.

Operating income amounted to SEK 29 M (39), with an operating margin of 5.6 percent (7.7).

Inventories in the business area decreased during the quarter and were lower at the end of the period than the same period of last year. The decrease in inventories compared to the previous year was due to price reductions during the quarter, which also compensated for deliveries ahead of the next season, new premium brands, more expensive goods and altered contractual terms, which combined lead to increased inventory values.



POLARN O. PYRET

Polarn O. Pyret is a brand focused on baby and children's wear. The concept comprises 144, stores, of which 43 are franchise stores. Today, Polarn O. Pyret is established in 10 countries.

SECOND QUARTER DECEMBER 1, 2016 – FEBRUARY 28, 2017

Net sales during the quarter amounted to SEK 185 M (174), with lower sales in physical stores but offset by a larger increase in new stores and a continued increase in the e-commerce business.

Sales in comparable proprietary stores in all countries and e-commerce declined by 5.8 percent compared to the same quarter previous year.

Average spend increased during the quarter in all markets. Brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 856 M (884), measured on a rolling 12-month basis.

Gross margin during the quarter increased considerably compared to the year-earlier quarter, mainly explained by a limited number of price activities in all markets and product mix effects. Gross profit increased during the quarter as a consequence.

Overhead costs increased slightly compared to the same quarter of the previous year, despite the fact that the acquired company in Finland has resided. Operating income totaled SEK 7 M (-6), equivalent to an operating margin of 4.0 percent (-3.3).

Operating income for the Swedish operations rose sharply during the quarter and the fact that the Dutch operation has been closed-down also made a positive contribution to the improved earnings.

Inventory levels decreased during the quarter but are higher than the year-earlier period due to the acquisition of the Finnish company. Current inventory levels are considered to be effective and with good quality.

THE PERIOD, SEPTEMBER 1, 2016 – FEBRUARY 28, 2017

Net sales in the period amounted to SEK 404 M (364), with somewhat lower sales in proprietary stores but offset by a larger increase in new stores and a continued increase in the e-commerce business. Sales in comparable proprietary stores in all countries and e-commerce decreased by 1.8 percent

compared to the same quarter previous year. Average spend increased during the quarter in all markets.

Gross margin during the period increased compared to the year-earlier period, mainly explained by limited number of price activities in all markets and product mix effects. Gross profit was higher in the period than the previous year.

Overhead costs increased compared to the same quarter of the previous year due to the acquired company in Finland. However, comparable overhead costs, excluding the Finnish company, were lower than the year-earlier period.

Operating income amounted to SEK 37 M (6), equivalent to an operating margin of 9.1 percent (1.6). Operating profit for the business in Sweden has increased sharply in the period, and Finland's activities also contribute significantly to the earnings improvement.

Inventory levels decreased during the quarter but are higher than the year-earlier period due to the acquisition of the Finnish company. Current inventory levels are considered to be effective and with good quality.



Financial position and liquidity

The Group had total assets of SEK 1,115 M compared to SEK 1,103 M at the end of the previous fiscal year. Shareholders' equity amounted to SEK 369 M at the end of the period, and to SEK 323 M at the end of the previous fiscal year, providing an equity/assets ratio of 33.1 percent (29.3).

At February 28 the inventories amounted to SEK 382 M (387), where Polarn O. Pyret has increased its stock due to the consolidation of the Finnish operations. The other two business areas has declined inventory levels compared to last year.

Cash flow from changes in working capital was negative at SEK -11 M (-11), mainly due to decreased current liabilities partially offset by lower inventories. Cash flow from operating activities increased to SEK 63 M (36) during the period. Cash flow after investments amounted to SEK 46 M (15), which was equivalent to an improvement of SEK 31 M compared to the previous year.

Net debt amounted to SEK 341 M compared to SEK 379 M at the end of the previous fiscal year.

The Group's cash and cash equivalents at the end of the period, including unutilized overdraft facilities, amounted to SEK 161 M compared to SEK 124 M at the end of the previous fiscal year. Blocked funds relating to hedging were reclassified in the third quarter 2015/2016 from cash and cash equivalents to non-current receivables, which decreased the balance-sheet item "cash and cash equivalents" compared to the previous year.

INVESTMENTS AND DEPRECIATION / AMORTIZATION

Investments during the period, excluding investment in subsidiaries totaled SEK 11 M (22). Depreciation /amortization totaled SEK -24 M (-23).

EMPLOYEES

The average number of employees during the period was 1,017 (991), whereof 52 were employed by Polarn O. Pyret in Finland. Excluding Finland the average number of employees has decreased from 991 to 965 compared to previous year.

RELATED-PARTY TRANSACTIONS

No transactions were conducted between the RNB Group and related parties, which have materially impacted the Group's financial position and results. The company has two loans from Konsumentföreningen Stockholm, the company's principal shareholder, totaling SEK 385 M. For further information on transactions with related parties, see the Annual Report 2015/2016, Note 4.

TAXES

During the period, the Group paid tax totaling SEK 0 M (0). As the company has non capitalized loss carryforwards of SEK 739 M, no tax expense was charged to the period. Tax expenses are expected to remain low due to existing loss carryforwards. For further information see the 2015/2016 Annual Report, Note 11.

PARENT COMPANY

Net sales in the Parent Company amounted to SEK 51 M (47). The result after net financial items amounted to SEK -21 M (-19). Investments totaled SEK 4 M (5).

ACCOUNTING POLICIES

This report was prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 - Accounting for Legal Entities. The accounting policies applied correspond with those presented in the 2015/2016 Annual Report. In the interim report, consolidated gross profit is recognized exclusively in comprehensive income. This differs from the format in the annual report. In the interim report, unrealized results and futures contracts are also recognized on a separate line in net financial items.

SEASONAL VARIATIONS

Retail sales vary with the seasons, where fall and winter have the highest sales. Gross margins are impacted by clearance sale periods. Deviations from normal weather conditions impact both sales and margins. Sales per quarter are relatively evenly spread during the year but where the first quarter is generally the strongest and the third quarter is the weakest quarter in terms of sales. Operating income varies largely between the quarters. The first quarter generates the largest share of net income and its share has increased in recent years. The third quarter is generally the quarter with the lowest operating income.

RISKS AND UNCERTAINTIES

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

Financial risks

- Currency exposure related to purchase of goods and sales in international markets.
- Interest-rate exposure associated with the Group's net debt. Financial covenants to lenders.

Strategic and 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 the weather situation. Competition from other players active in the same segment as RNB.
- Identification of constantly shifting fashion trends and customer preferences.

In other respects, refer to the detailed description of the Group's management of financial risks in the 2015/2016 Annual Report.

REVIEW

This interim report has not been subject to review by the company's auditors.

The Board of Directors and the President declare that the interim report provides a true and fair overview of the Company's and the Group's operations, financial position and earnings and also describes significant risks and uncertainties facing the Company and other companies in the Group.

Stockholm, March 27, 2017

The Board of Directors and President of
RNB RETAIL AND BRANDS (publ), Corporate Identity Number 556495-4682

Laszlo Kriss
Chairman of the Board

Per Thunell
Vice Chairman of the Board

Monika Elling
Board member

Ivar Fransson
Board member

Michael Lemner
Board member

Sara Wimmercranz
Board member

Magnus Håkansson
President & CEO

Largest shareholders as of February 28, 2017

	Number of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	3,500,000	10.3
Avanza Pension Försäkringsaktiebolaget	3,020,961	8.9
Catella Fondförvaltning	2,660,875	7.9
Hawk Invest AS	962,249	2.8
Nordnet pensionsförsäkring AB	741,027	2.2
Johan Fahlin	352,640	1.0
Staffan Bolinder	350,000	1.0
Christian Kock	252,811	0.8
Jan Åström Spindel	170,124	0.5
Total 10 largest shareholders	23,257,285	68.6
Other	10,654,891	31.4
Total	33,912,176	100.0

Source: Euroclear Sweden AB

Reconciliation of key ratios

SEK M	6 months		12 months	
	Sep 2016 –Feb 2017	Sep 2015 –Feb 2016	Mar 2016 –Feb 2017	Sep 2015 –Aug 2016
Net sales	1,174.5	1,128.9	2,218.7	2,173.1
Goods for resale	-579.2	-569.0	-1,089.7	-1,079.5
Gross profit	595.3	559.9	1,129.0	1,093.6
Other operating income	11.6	6.6	21.7	16.7
Other external expenses	-246.1	-236.0	-487.5	-477.4
Personnel expenses	-279.6	-277.0	-547.3	-544.7
Depreciation and impairment of non-current assets	-24.3	-23.2	-53.0	-51.9
Operating income (EBIT)	56.9	30.3	62.9	36.3
Interest income and similar profit/loss items	2.0	0.6	3.3	1.9
Interest expenses and similar profit/loss items	-9.2	-5.6	-16.2	-12.6
Unrealized profit/loss on futures contracts	5.5	0.5	5.3	0.3
Net financial items	-1.7	-4.5	-7.6	-10.4
Profit/loss after financial items	55.2	25.8	55.3	25.9
Adjustments:				
Tax on net profit/loss for the period	0.0	0.0	0.0	0.0
Net income for the period	55.2	25.8	55.3	25.9
Operating income	56.9	30.3	62.9	36.3
Depreciation and impairment of non-current assets	24.3	23.2	53.0	51.9
Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)	81.2	53.5	115.9	88.2
Loans	385.0	385.0	385.0	385.0
Contingent consideration	17.0	0.0	17.0	16.7
Other non-current interest-bearing liabilities	0.1	0.0	0.1	0.1
Non-current liabilities	402.1	385.0	402.1	401.8
Loans	385.0	385.0	385.0	385.0
Contingent consideration	17.0	0.0	17.0	16.7
Other non-current interest-bearing liabilities	0.1	0.0	0.1	0.1
Other current interest-bearing liabilities	0.7	1.6	0.7	1.3
Cash and cash equivalents	-61.3	-53.3	-61.3	-24.2
Net debt	341.5	333.3	341.5	378.9
Equity, opening balance	323.5	305.7	323.5	305.7
Equity, closing balance	369.0	323.5	369.0	323.5
Average equity	346.3	314.6	346.3	314.6
Total assets	1,115.4	1,075.7	1,115.4	1,102.6
Trade payables	-141.8	-188.8	-141.8	-180.5
Other current liabilities	-201.8	-176.8	-201.8	-195.5
Capital employed	771.8	710.1	771.8	726.6
Net income for the period	55.2	25.8	55.3	25.9
Average equity	346.3	314.6	346.3	314.6
Return on equity, %	15.9	8.2	16.0	8.2
Capital employed, opening balance	726.6	693.4	710.1	693.4
Capital employed, closing balance	771.8	710.1	771.8	726.6
Average capital employed	749.2	701.8	741.0	710.0
Interest expenses and similar profit/loss items	-9.2	-5.6	-16.2	-12.6
Unrealized expense on futures contracts	0.0	0.0	0.0	0.0
Profit before tax from continuing operations	55.2	25.8	55.3	25.9
Average capital employed	749.2	701.8	741.0	710.0
Return on capital employed, %	8.6	4.5	9.6	5.4
Operating income	56.9	30.3	62.9	36.3
Interest income and similar profit/loss items	2.0	0.6	3.3	1.9
Unrealized income on futures contracts	5.5	0.5	5.3	0.3
Result after financial income	64.4	31.4	71.5	38.5

Definition of key ratios

This report contains financial metrics, which are not defined in IFRS. These financial metrics are used to follow-up, analyze and control the 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 in order to follow and control the development of the Group's financial goals and are thus relevant to present on a continual basis.

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

MARGIN METRICS

Gross profit margin

Net sales less goods for resale in relation to net sales.

Operating margin

Operating income as a percentage of net sales.

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.

Return on capital employed

Result 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.

FINANCIAL METRICS

Equity/assets ratio

Shareholders' equity in relation to total assets.

Net debt

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

Net debt/equity ratio

Net debt as a percentage of equity attributable to the parent company's shareholders.

Interest coverage ratio

Result after net financial items plus financial expenses divided by financial expenses and the expense for unrealized results on futures contracts.

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.

Earnings per share

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

OTHERS TERMS

Number of full-time employees

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

Average number of shares

Weighted average of outstanding ordinary shares during the period.

Consolidated Income Statement

SEK M	3 months		6 months		12 months	
	Dec 2016 –Feb 2017	Dec 2015 –Feb 2016	Sep 2016 –Feb 2017	Sep 2015 –Feb 2016	Mar 2016 –Feb 2017	Sep 2015 –Aug 2016
Net sales	590.2	572.5	1,174.5	1,128.9	2,218.7	2,173.1
Goods for resale	-315.8	-303.2	-579.2	-569.0	-1,089.7	-1,079.5
Gross income	274.4	269.3	595.3	559.9	1,129.0	1,093.6
Other operating income	7.2	2.3	11.6	6.6	21.7	16.7
Other external expenses	-117.4	-116.3	-246.1	-236.0	-487.5	-477.4
Personnel expenses	-141.5	-143.4	-279.6	-277.0	-547.3	-544.7
Depreciation and impairment of non-current assets	-12.1	-11.4	-24.3	-23.2	-53.0	-51.9
Operating income	10.6	0.5	56.9	30.3	62.9	36.3
Financial income	-0.2	0.4	2.0	0.6	3.3	1.9
Financial expenses	-4.5	-2.3	-9.2	-5.6	-16.2	-12.6
Unrealized profit/loss on futures contracts	-9.6	-3.2	5.5	0.5	5.3	0.3
Net financial items	-14.3	-5.1	-1.7	-4.5	-7.6	-10.4
Profit before tax from continuing operations	-3.7	-4.6	55.2	25.8	55.3	25.9
Tax on net income for the period	1.0	0.0	0.0	0.0	0.0	0.0
Net income for the period	-2.7	-4.6	55.2	25.8	55.3	25.9
Other comprehensive income						
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>						
Translation differences	0.1	0.1	-1.2	0.5	-1.3	0.4
Comprehensive income for the period	-2.6	-4.5	54.0	26.3	54.0	26.3
Net income for the period attributable to:						
Parent Company's shareholders	-2.7	-4.6	55.2	25.8	55.3	25.9
	-2.7	-4.6	55.2	25.8	55.3	25.9
Comprehensive income attributable to:						
Parent Company's shareholders	-2.6	-4.5	54.0	26.3	54.0	26.3
	-2.6	-4.5	54.0	26.3	54.0	26.3
Earnings per share before and after dilution (SEK)	-0.08	-0.14	1.63	0.76	1.63	0.76
Average number of shares, (000s)	33,912	33,912	33,912	33,912	33,912	33,912

Consolidated Cash Flow Statement, in summary

SEK M	3 months		6 months		12 months	
	Dec 2016 –Feb 2017	Dec 2015 –Feb 2016	Sep 2016 –Feb 2017	Sep 2015 –Feb 2016	Mar 2016 –Feb 2017	Sep 2015 –Aug 2016
Operating activities						
Operating income	10.6	0.5	56.9	30.3	62.9	36.3
Interest received and other financial income	-0.2	0.4	2.0	0.6	3.3	1.9
Interest paid	-4.6	-2.2	-9.3	-5.5	-15.9	-12.1
Adjustment for non-cash items	10.2	10.7	25.1	21.9	53.0	49.8
Cash flow before change in working capital	16.0	9.4	74.7	47.3	103.3	75.9
Cash flow from changes in working capital						
Change in inventories	38.8	25.9	20.2	13.8	15.7	9.3
Decrease (+)/increase (-) in current receivables	-10.6	-24.1	-4.3	-14.2	3.7	-6.2
Decrease (-)/increase (+) in current liabilities	-18.6	9.1	-27.4	-10.9	-31.6	-15.1
Change in working capital	9.6	10.9	-11.5	-11.3	-12.2	-12.0
Cash flow from operating activities	25.7	20.3	63.3	36.0	91.2	63.9
Cash flow from investing activities	-0.8	-8.8	-17.6	-20.7	-75.0	-78.1
Cash flow after investments	24.9	11.5	45.7	15.3	16.2	-14.2
Financing activities						
Change in liabilities to financial institutions	-0.2	0.0	-0.4	0.0	-0.7	-0.3
Amortization of loan	0.0	0.0	0.0	0.0	0.0	0.0
Paid dividend	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5
Cash flow from financing activities	-8.7	-8.5	-8.9	-8.5	-9.2	-8.8
Cash flow during the period	16.2	3.0	36.8	6.8	7.0	-23.0
Cash and cash equivalents at beginning of period	45.0	50.6	24.2	47.2	53.3	47.2
Exchange difference in cash and cash equivalents	0.0	-0.3	0.2	-0.7	0.9	0.0
Cash and cash equivalents at end of period	61.3	53.3	61.3	53.3	61.3	24.2

Consolidated Balance Sheet, in summary

SEK M	Feb 28, 2017	Feb 29, 2016	Aug 31, 2016
Assets			
Intangible assets	423.3	405.4	422.7
Tangible assets	78.4	83.0	90.3
Financial assets	21.2	4.5	22.8
Total non-current assets	522.9	492.9	535.8
Inventories	382.1	387.1	404.0
Current receivables	149.1	142.4	138.6
Cash	61.3	53.3	24.2
Total current assets	592.5	582.8	566.8
Total assets	1,115.4	1,075.7	1,102.6
Shareholders' equity and liabilities			
Equity attributable to the Parent Company's shareholders	369.0	323.5	323.5
Total equity	369.0	323.5	323.5
Non-current liabilities	402.1	385.0	401.8
Current liabilities	344.3	367.2	377.3
Total liabilities	746.4	752.2	779.1
Total equity and liabilities	1,115.4	1,075.7	1,102.6

Changes in shareholders' equity, in summary

SEK M	Sep 2016 –Feb 2017	Sep 2015 –Feb 2016	Sep 2015 –Aug 2016
Opening balance	323.5	305.7	305.7
Net income for the period	55.2	25.8	25.9
Other comprehensive income	-1.2	0.5	0.4
Total comprehensive income for the year	54.0	26.3	26.3
Paid dividend	-8.5	-8.5	-8.5
Balance at end of period	369.0	323.5	323.5

Key ratios

SEK M	Sep 2016 –Feb 2017	Sep 2015 –Feb 2016	Mar 2016 –Feb 2017	Sep 2015 –Aug 2016
Gross margin, %	50.7	49.6	50.9	50.3
Operating margin, %	4.8	2.7	2.8	1.7
Equity/assets ratio, %	33.1	30.1	33.1	29.3
Interest coverage ratio, x	7.0	5.6	4.4	3.1
Net debt, MSEK	341.5	333.3	341.5	378.9
Net debt/equity ratio, %	92.5	103.0	92.5	117.1
Return on equity, %	15.9	8.2	16.0	8.2
Return on capital employed, %	8.6	4.5	9.6	5.4
Average number of shares, 000s	33,912	33,912	33,912	33,912
Number of shares at end of period, 000s	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	1.63	0.76	1.63	0.76
Equity per share at end of period, SEK	10.88	9.54	10.88	9.54
Average number of employees, full time	1,017	991	1,073	1,047

Income Statement per quarter, Group

SEK M	Q2		Q1		Q4		Q3	
	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2015/ 2016	2014/ 2015	2015/ 2016	2014/ 2015
Net sales	590.2	572.5	584.3	556.4	555.3	563.6	488.9	485.3
Goods for resale	-315.8	-303.2	-263.4	-265.8	-286.9	-294.0	-223.6	-237.1
Gross income	274.4	269.3	320.9	290.6	268.4	269.6	265.3	248.2
Other operating income	7.2	2.3	4.4	4.3	4.2	1.1	5.9	4.8
Other external expenses	-117.4	-116.3	-128.7	-119.7	-119.9	-111.1	-121.5	-118.5
Personnel expenses	-141.5	-143.4	-138.1	-133.6	-130.1	-136.3	-137.6	-126.4
Depreciation and impairment of non-current assets	-12.1	-11.4	-12.2	-11.8	-16.6	-11.5	-12.1	-11.9
Operating income	10.6	0.5	46.3	29.8	6.0	11.8	0.0	-3.8
Financial income	-0.2	0.4	2.2	0.2	0.9	1.5	0.4	0.3
Financial expenses	-4.5	-2.3	-4.7	-3.3	-3.9	-2.0	-3.1	-2.2
Unrealized profit/loss on futures contracts	-9.6	-3.2	15.1	3.7	7.4	-5.4	-7.6	-2.7
Net financial items	-14.3	-5.1	12.6	0.6	4.4	-5.9	-10.3	-4.6
Profit before tax from continuing operations	-3.7	-4.6	58.9	30.4	10.4	5.9	-10.3	-8.4
Tax on net income for the quarter	1.0	0.0	-1.0	0.0	0.0	0.0	0.0	0.0
Net income for the quarter	-2.7	-4.6	57.9	30.4	10.4	5.9	-10.3	-8.4
Other comprehensive income								
<i>Other comprehensive income, which will be reclassified to net income in subsequent quarters</i>								
Translation differences	0.1	0.1	-1.3	0.4	0.6	0.0	-0.7	0.0
Comprehensive income for the quarter	-2.6	-4.5	56.6	30.8	11.0	5.9	-11.0	-8.4

Key ratios per quarter

SEK M	Q2		Q1		Q4		Q3	
	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2015/ 2016	2014/ 2015	2015/ 2016	2014/ 2015
Gross margin, %	46.5	47.0	54.9	52.2	48.3	47.8	54.3	51.1
Operating margin, %	1.8	0.1	7.9	5.4	1.1	2.1	0.0	-0.8
Return on equity, %	-0.72	-1.39	16.46	9.47	3.21	1.95	-3.18	-2.75
Number of shares at end of quarter, 000s	33,912	33,912	33,912	33,912	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	-0.08	-0.14	1.71	0.90	0.31	0.17	-0.30	-0.25
Equity per share at end of quarter, SEK	10.88	9.54	11.21	9.92	9.54	9.01	9.54	8.87
Total equity	369.0	323.5	380.1	336.5	323.5	305.7	323.6	300.9
Cash flow from operating activities	25.7	20.3	37.6	15.7	17.8	-13.9	10.1	40.0
Share price at end of quarter, SEK	18.6	17.3	10.9	16.9	11.6	14.3	11.5	14.8

Income Statement Parent Company

SEK M	3 months		6 months		12 months	
	Dec 2016 –Feb 2017	Dec 2015 –Feb 2016	Sep 2016 –Feb 2017	Sep 2015 –Feb 2016	Mar 2016 –Feb 2017	Sep 2015 –Aug 2016
Net sales	23.5	23.4	51.5	47.0	102.5	98.0
Other operating income	4.7	0.9	4.9	1.8	8.7	5.6
	28.2	24.3	56.4	48.8	111.2	103.6
Operating expenses						
Other external expenses	-14.6	-16.2	-30.6	-32.3	-63.2	-64.9
Personnel expenses	-17.3	-14.2	-33.8	-28.2	-64.9	-59.3
Depreciation and impairment of non-current assets	-2.9	-1.6	-5.7	-3.6	-10.2	-8.1
Operating income	-6.6	-7.7	-13.7	-15.3	-27.1	-28.7
Result from participations in group companies	0.0	0.0	0.0	0.0	39.4	39.4
Financial income	-0.2	0.1	0.0	0.1	0.8	0.9
Financial expenses	-3.7	-1.9	-7.7	-3.5	-14.8	-10.6
Result after financial items	-10.5	-9.5	-21.4	-18.7	-1.7	1.0
Taxes	-	-	-	-	-	-
Net income for the period	-10.5	-9.5	-21.4	-18.7	-1.7	1.0

Comprehensive income for the period corresponds to net income for the period

Balance Sheet Parent Company, in summary

SEK M	Feb 28, 2017	Feb 29, 2016	Aug 31, 2016
Assets			
Intangible assets	20.5	15.9	21.7
Property, plant and equipment	5.3	3.5	5.9
Financial assets	576.7	561.7	576.7
Deferred tax assets	72.1	32.3	82.7
Other current assets	43.9	41.8	9.3
Total assets	718.5	655.2	696.3
Shareholders' equity and liabilities			
Equity	226.8	237.0	256.7
Non-current liabilities	385.0	385.0	385.0
Current liabilities	106.7	33.2	54.6
Total equity and liabilities	718.5	655.2	696.3

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