

# RNB

## INTERIM REPORT

1 SEPTEMBER 2018 – 28 FEBRUARY 2019

# 2



RNB RETAIL AND BRANDS

POLARN O. PYRET  
DEPARTMENTS & STORES

Man of a kind  
**BROTHERS**

# Continued increased e-com in a mixed quarter

RNB's sales continued to outperform the clothing and fashion sector on all national markets also in the second quarter. Growth in e-commerce remained strong across all concepts, up more than 40% in the quarter. Discount-driven sales pressured gross margins and profit. The restructuring of the Group is well under way, but is generating costs. Operating income before restructuring costs totaled SEK -12 M (4) in the quarter.

## SECOND QUARTER, DECEMBER 1, 2018 – FEBRUARY 28, 2019 IN SUMMARY

- Net sales increased to SEK 604 M (589).
- Comparable sales for the Group on all national markets increased by 2.2 percent.
- Sales for comparable units in Sweden increased by 1.5 percent, outperforming the market downturn of -1.6 percent.
- Operating income before restructuring costs was SEK -12 M (4).
- Operating income was SEK -28 (4) M.
- Profit after tax was SEK -35 M (1).
- Earnings per share was SEK -1.02 (0.02).
- Cash flow from operating activities was SEK 27 M (-16).

## THE PERIOD, SEPTEMBER 1, 2018 – FEBRUARY 28, 2019 IN SUMMARY

- Net sales increased to SEK 1,203 M (1,171).

- Comparable sales for the Group on all national markets increased by 2.3 percent.
- Sales for comparable units in Sweden increased by 2.0 percent, outperforming the market downturn of -2.7 percent.
- Operating income before restructuring costs was SEK 24 M (44).
- Operating income was SEK 7 (44) M.
- Profit after tax was SEK -9 M (46).
- Earnings per share was SEK -0.27 (1.36).
- Cash flow from operating activities was SEK 74 M (47).

## EVENTS IN THE QUARTER

- Polarn O. Pyret received two awards; the Signum Award for best brand management and Sweden's Greenest Brand 2018 (clothing) in the quarter.
- The Annual General Meeting authorized the Board of Directors to restructure the group.

## CONTACT

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CFO Kristian Lustin +46 (0)8 410 524 63

## PRESS OCH ANALYTIKERMÖTE

RNB will hold a press and analyst conference in connection with the publication of the report, presented by Magnus Håkansson, President and CEO and Kristian Lustin, CFO. The presentation will be held on 26 March at 10:00 a.m. CET and can be followed through a teleconference/audiocast.

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

+46 8 566 427 03 [Sweden]

+44 33 330 092 60 [UK]

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

## FINANCIAL CALENDAR

Interim Report, third quarter 2018/2019	June 26, 2019
Interim Report, fourth quarter 2018/2019	October 10, 2019
Annual General Meeting 2018/2019	December 19, 2019
Interim Report, first quarter 2019/2020	December 19, 2019

This information is such that RNB RETAIL AND BRANDS AB (publ) 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 26, 2019 at 07:00 a.m. (CET).

*This report has been prepared in English and Swedish versions. In the event of any discrepancy between the two versions, the Swedish report shall prevail.*

# Comments from the CEO

## RESTRUCTURING IN A TOUGH MARKET

The quarter presented a mixed picture for RNB. Polarn O. Pyret continues to go from strength to strength both operationally and strategically, with successful digitalization a key factor. Brothers returned a weak quarter characterized by operational challenges, although the reorientation towards more efficient digital communication and a higher share of e-commerce sales are progressing as planned. Departments & Stores should be viewed against the background of the challenges caused by reorientation under the NK2020 renewal project, meaning that performance should be considered satisfactory in the quarter. RNB's sales outperformed the market by +1.5%, measured against the benchmark Stilindex which fell by -1.6% in the same period.

E-commerce continued to expand, up 42% in the quarter, corresponding to 10% of total Group sales. Over the past year, e-commerce increased by close to 60%, amounting to 9% of total Group sales.

Operating income was SEK -12 M (4) excluding restructuring expenses in the quarter.

The restructuring aimed at making RNB's business areas independent companies is now fully underway and is expected to be completed gradually during 2019. Costs for the process totaled SEK 16 M in the quarter, and entail rationalization of central costs with an estimated SEK 15 M annually from quarter three 2019/20. The restructuring rests on the strong operational foundation of the various business units, and our operational focus on implementing the companies' business plans remains unchanged. Sometime after second half of 2019, ownership changes become a possibility for one or more of the companies. Work processes have been established and soundings have begun.

## PO.P COMPETITIVE WITH SUSTAINED E-COMMERCE GROWTH

Polarn O. Pyret has systematically sought to renew all key operational dimensions in recent years. This resulted in some prestigious awards in the year—PO. P was awarded Loyalty Program of the Year at the Sweden Retail Awards 2018 and Design Concept of the Year at the Habit Fashion Show. In the quarter, PO. P received the Signum Award for best brand management in the Nordics and was awarded Sweden's Greenest Brand 2018 in clothing.

E-commerce continued to expand, and totaled more than 20% of sales in the quarter. The new e-commerce platform launched in November consolidated this progress.

PO.P has a strong fashion range, and has purchased aggressively to make sales and increase market share in the spring season. The aggressive purchasing implies increased inventory risk. This was partly mitigated in the quarter, although with an impact on gross margin. This means that it was particularly satisfying that the net effect on operating income was positive. Operating income amounted to SEK 15 M (12) in the second quarter, with rolling 12-month operating income of SEK 43 M.

The prospects are positive for continued strong underlying growth for the full year 2018/19. We expect to continue to increase our market share, and e-commerce is expected to increase further.



## SIGNIFICANT NEGATIVE NON-RECURRING EFFECTS IN BROTHERS

Brothers had a weak quarter. The Brothers concept rests on a stable foundation with an attractive fashion range that provides value for money. The stores have a high service rate.

Overall, Brothers made weak sales progress in the second quarter in Sweden, down by -5.0% in comparable stores. Our assessment is that this was driven by problems in the supply chain caused by a new inventory management system and temporarily compromised inventory supply. In addition, this implied increased personnel costs. Brothers' e-commerce increased by as much as 73% in the second quarter, implying that the high growth rate from recent quarters continued.

This means that we assess that sales and profit will be significantly stronger in the third and fourth quarters.

The new flagship store that opened in November in the Gallerian mall in central Stockholm did not perform as anticipated and unfortunately generated a loss in the period. We assess that this was due to delays to the remodeling of Gallerian. Brothers closed three stores in the quarter, which burdened profit somewhat with closure expenses.

Operating income in the second quarter was SEK -17 M (-3), a result of lower regular sales, outlet sales and negative exchange rate effects. Rolling 12-month operating income is now SEK 5 M.

Brothers has significant potential to clarify its strong value offering to customers through its continuing work on branding, digital marketing and e-commerce growth. Brothers' management is focusing sharply on realizing the potential in these areas.

## **CHALLENGES EASING FOR DEPARTMENTS & STORES**

NK's visitor numbers continued to fall, although visitors to our departments are declining less than for the department stores overall. The NK2020 renewal project and associated refurbishment in the Stockholm store continued to affect results due to temporary department closures. Two major departments in the Stockholm store opened in the quarter: cosmetics, and watches and jewelry, which both came off to a strong start. We expect the reopening of the NK Food Hall in March to have a positive effect on visitor numbers in the Stockholm store. Management is doing a great job of maximizing business volumes in the given the conditions and managing customer flows, as well as keeping costs under check.

Sales in comparable stores decreased by -1.4% in the second quarter, and decreased by just over -3% on a rolling 12-month basis. Operating income in the quarter was SEK 6 M (9) and rolling 12-month income was SEK 26 M.

The reorientation work in NK Stockholm is continuing in 2019, and is expected to have a gradual positive effect during the year.

## **MAN OF A KIND SALES GROWTH CONTINUES**

Man of a kind's sales are progressing according to plan, and reached SEK 6 M (3) in the second quarter, although reorientation costs imply an operating loss of SEK -5 M (-3). The product range and service offering are continually updated to improve the shopping experience and loyalty.

## **EXPECTATIONS AND OUTLOOK**

Polarn O. Pyret is competitive across all areas of operations, and we anticipate strong growth in the business area over the coming years. Brothers also has a strong value offering to its customer group. E-commerce is set to expand dramatically for the three concepts, and implies significant potential for positive sales and income growth. We're looking forward to the gradual completion of NK2020 with great confidence, and expect this to have a significant positive effect on visitor numbers, sales and income for Departments & Stores.

Polarn O. Pyret and Brothers will transition to a highly automated warehouse in fall 2019 to ensure continued e-commerce growth. The scalability of the solution provides us with the right conditions for continued growth and flexibility for our omni-channel offering, while the capacity means that we can offer a great shopping experience regardless of season.

Magnus Håkansson  
President and CEO

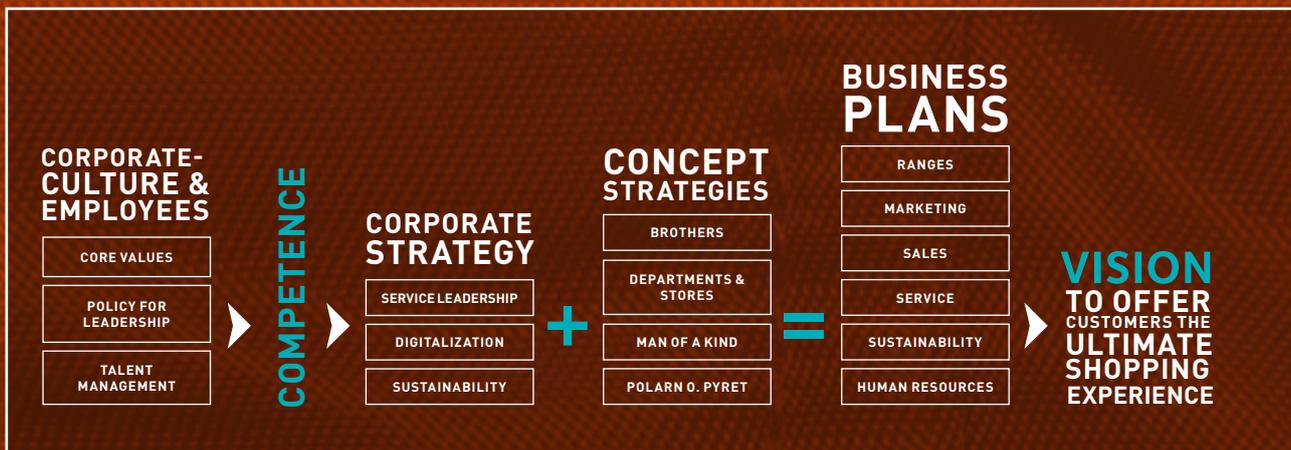
# RNB RETAIL AND BRANDS

RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores and e-commerce that focus on providing excellent service and a world-class shopping experience. Sales are conducted through the concepts Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The Group has more than 250 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS is listed on Nasdaq Stockholm (RNBS).

## Vision

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

## Business model



The above figure illustrates how our corporate culture and core values – “The customer is most important”, “We do sustainable and smart business”, “We believe in people” and “Direct communication” – coupled with our strategy and vision, express RNB’s business model and show the way forward. The core values pervade RNB’s operations and define our strong corporate culture, which is a key building block of our strategy. The strategy is then given concrete form in the business plans of individual subsidiaries with the aim of realizing our vision.

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. All aspects of operations are carried out on the basis of achieving clear and long-term sustainability.

# Revenue and earnings RNB Group

## **SECOND QUARTER, DECEMBER 1, 2018 – FEBRUARY 28, 2019**

Reported net sales for the Group were SEK 604 M (589) in the second quarter. Business areas with e-commerce platforms all experienced significant sales growth in online sales in the quarter. Man of a kind and Polarn O. Pyret increased net sales. For comparable units in Sweden, sales were up by 1.5 percent, and for all national markets sales increased by 2.2 percent expressed in SEK.

The Group's gross margin decreased slightly to 46.4 percent (47.0) in the quarter, with Departments & Stores and Man of a kind returning stable or increasing margins. Margins decreased in the two other business areas, due to more campaigns and increased discounting in the quarter.

Total costs increased in the quarter in year-on-year terms due to higher rent and personnel costs.

In December, the AGM decided to restructure the Group to make the business areas independent entities. In the quarter, costs for this totaled SEK 16 M, reported under "Group wide and eliminations". Costs are reported under Other external expenses, personnel expenses and impairment of non-current assets. The cash flow effect was approximately SEK 2 M in the quarter and approximately SEK 14 M will not affect cash flow until 2020.

Operating income was SEK -28 (4) M. Operating income before restructuring expenses was SEK -12 (4) M.

Net financial items totaled SEK -8 M (-4), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK -1 M (0).

Profit after tax amounted to SEK -35 (1) M.

### *Market progress in the quarter*

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -1.6 percent (-6.4) in the quarter. Sales in Finland of men's, women's and children's clothing decreased by -3.2 percent (-2.2).

## **THE PERIOD, SEPTEMBER 1, 2018 – FEBRUARY 28, 2019**

Consolidated net sales totaled SEK 1,203 M (1,171) in the period. Business areas with e-commerce sales all experienced continued significant growth in online sales in the period. Man of a kind and Polarn O. Pyret increased net sales. For comparable units in Sweden, sales were up by 2.0 percent, and for all national markets sales increased by 2.3 percent expressed in SEK.

The Group's gross margin decreased slightly to 50.1 percent (50.7) in the quarter, with Departments & Stores and Man of a kind returning increased margins. Margins decreased in the two other business areas, due to more campaigns and increased discounting in the quarter.

Total expenses were up in year-on-year terms. Restructuring expenses of SEK 16 M affected the period.

Operating income was SEK 7 (44) M. Operating income before restructuring expenses was SEK 24 (44) M.

Net financial items totaled SEK -18 M (2), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK -3 M (9).

Profit after tax amounted to SEK -9 (46) M.

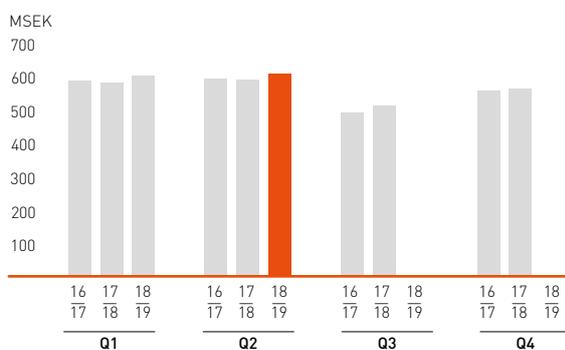
### *Market progress in the period*

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -2.7 percent (-4.3) in the period. Sales in Finland of men's, women's and children's clothing decreased by -3.5 percent (-2.6).

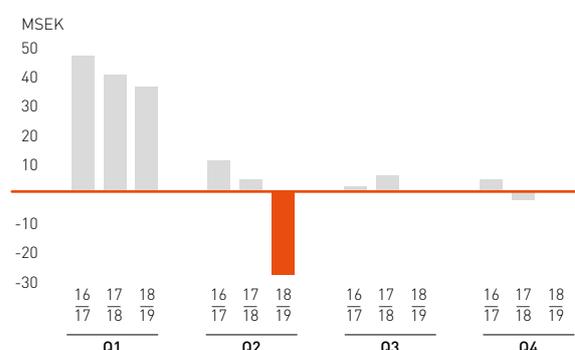
Group overview

	3 months		6 months		12 months	
	Dec 2018	Dec 2017	Sep 2018	Sep 2017	Mar 2018	Sep 2017
	-Feb 2019	-Feb 2018	-Feb 2019	-Feb 2018	-Feb 2019	-Aug 2018
Net sales, SEK M	604	589	1,203	1,171	2,270	2,238
Gross margin,(%)	46.4	47.0	50.1	50.7	49.6	49.9
Operating income ,SEK M	-28	4	7	44	10	47
<i>Operating income before restructuring expenses, SEK M</i>	<i>-12</i>	<i>4</i>	<i>24</i>	<i>44</i>	<i>27</i>	<i>47</i>
Profit before tax, SEK M	-37	1	-11	46	-18	39
Profit after tax, SEK M	-35	1	-9	46	-19	36
Operating margin (%)	-4.7	0.7	0.6	3.8	0.4	2.1
<i>Operating margin before restructuring expenses (%)</i>	<i>-2.0</i>	<i>0.7</i>	<i>2.0</i>	<i>3.8</i>	<i>1.2</i>	<i>2.1</i>
Earnings per share, SEK	-1.02	0.02	-0.27	1.36	-0.56	1.07
Cash flow from operating activities, SEK M	27	-16	74	47	38	10
Number of sales points	253	262			253	261

Net sales per quarter



Operating income per quarter



# Financial overview, business areas

RNB RETAIL AND BRANDS reports net sales and operating income for four business areas: Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret.

Business area	Net sales, Sept-Feb	Share, %	Operating income, Sept-Feb	Own stores		Franchise	
				Stores	E-com	Stores	E-com
<b>BROTHERS</b>	<b>258MSEK</b>	 21%	<b>-14MSEK</b>	<b>Total</b>	<b>53</b>	<b>2</b>	<b>13</b>
				Sweden	42	1	13
				Finland	11	1	
DEPARTMENTS & STORES	<b>479MSEK</b>	 40%	<b>18MSEK</b>	<b>Total</b>	<b>41</b>		
				NK Stockholm	26		
				NK Gothenburg	15		
Man of a kind	<b>12MSEK</b>	 1%	<b>-8MSEK</b>	<b>Total</b>	<b>1</b>		
POLARN O. PYRET	<b>455MSEK</b>	 38%	<b>46MSEK</b>	<b>Total</b>	<b>100</b>	<b>5</b>	<b>31</b>
				Sweden	55	3	7
				Norway	27	1	
				Finland	18	1	
				England			11
				USA			3
				Estonia			2
				Ireland			2
				Scotland			3
				Iceland			1
				Latvia			1

<b>Total</b>	<b>1,203MSEK</b>		<b>7MSEK</b>	<b>194</b>	<b>8</b>	<b>44</b>	<b>7</b>
RNB RETAIL AND BRANDS				<b>238 stores</b>	<b>15 e-com</b>	<b>10 countries</b>	

Net sales and operating income per business area	3 months		6 months		12 months	
	Dec 2018 -Feb 2019	Dec 2017 -Feb 2018	Sep 2018 -Feb 2019	Sep 2017 -Feb 2018	Mar 2018 -Feb 2019	Sep 2017 -Aug 2018
<b>Net sales, SEK M</b>						
Brothers	124.9	132.4	258.1	262.9	532.5	537.3
Departments & Stores	253.1	257.9	478.6	488.3	913.8	923.5
Man of a kind	6.0	3.1	12.2	5.7	19.0	12.5
Polarn O. Pyret	219.9	195.5	454.5	414.5	805.1	765.1
Central operations & eliminations	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>603.9</b>	<b>588.9</b>	<b>1,203.4</b>	<b>1,171.4</b>	<b>2,270.4</b>	<b>2,238.4</b>
<b>Operating income, SEK M</b>						
Brothers	-16.9	-3.1	-14.3	4.0	4.8	23.1
Departments & Stores	6.2	9.2	18.1	21.4	25.5	28.8
Man of a kind	-4.5	-3.3	-7.5	-6.2	-13.7	-12.4
Polarn O. Pyret	14.7	11.9	45.5	45.6	43.0	43.1
Central operations & eliminations	-27.9	-10.4	-34.6	-20.5	-49.6	-35.5
<b>Total</b>	<b>-28.4</b>	<b>4.3</b>	<b>7.2</b>	<b>44.3</b>	<b>10.0</b>	<b>47.1</b>
<i>Operating income before restructuring expenses</i>	<i>-11.9</i>	<i>4.3</i>	<i>23.7</i>	<i>44.3</i>	<i>26.5</i>	<i>47.1</i>

# BROTHERS

The Brothers business area is a service concept in men's fashion comprising the smart alternative to premium segment brands.

## SECOND QUARTER, DECEMBER 1, 2018 – FEBRUARY 28, 2019

Net sales in the Brothers business area totaled SEK 125 m (132). Sales in comparable stores in Sweden and Finland decreased by 5.0 percent expressed in SEK. E-commerce sales increased by 73 percent in the quarter while store sales decreased. Net sales from franchise stores were down in the quarter compared to the corresponding period in the previous year, partly due to a decrease in the number of franchise stores. Sales progress is also due to problems associated with a recently introduced inventory management system. Total brand sales (total sales to consumers excluding VAT across all markets) were SEK 601 M (601) on a rolling 12-month basis.

The number of paying customers in comparable stores was down on both national markets compared to the corresponding period in the previous year. The in-store conversion fell in Sweden and increased in Finland. In e-commerce, the number of visitors and the conversion rate increased significantly on both markets.

The business area's gross margin was down in the quarter in year-on-year terms, due to factors including increased discounting and negative exchange rate effects. Outlet sales, in stores due to be closed, affected the discounting rate negatively. Of the three months in the quarter, December returned a lower gross margin, while the two concluding months were stronger or in line with the previous year. Expenses were up in the quarter among other things because of closing costs and higher marketing costs.

Operating income was SEK -17 M (-3) in the quarter, implying an operating margin of -13.5 percent (-2.3).

Inventories decreased in the quarter, but remained up at the end of the quarter in year-on-year terms.

Three stores were closed in the quarter, and a further store was closed in early March. Two franchise stores were closed in the quarter, and one store was taken over by Brothers.

## THE PERIOD, SEPTEMBER 1, 2018 – FEBRUARY 28, 2019

Net sales in the Brothers business area totaled SEK 258 (263) M. Sales in comparable stores in Sweden and Finland decreased by 2.5 percent expressed in SEK. E-commerce sales close to doubled in the period, and store sales decreased. Net sales from franchise stores were down in the period compared to the corresponding period in the previous year, partly due to a decrease in the number of franchise stores. Paying visitors in comparable stores was down on both national markets. In e-commerce, the number of visitors and the conversion rate increased significantly on both markets.

The business area's gross margin was down in the period in year-on-year terms, due to factors including increased discounting, increased outlet sales and negative exchange rate effects. Expenses were up in the period.

Operating income was SEK -14 M (4) in the period, implying an operating margin of -5.5 percent (1.5).

Inventories decreased in the period, but remained up at the end of the period in year-on-year terms.



# DEPARTMENTS & STORES

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

## **SECOND QUARTER, DECEMBER 1, 2018 – FEBRUARY 28, 2019**

Net sales in the Departments & Stores business area were SEK 253 M (258), a decrease of 1.9 percent. Visitors to RNB's stores in the two department stores were down in the quarter year-on-year, although there an increase was reported in December. Average spend per customer and the conversion rate continued to increase, but did not offset declining visitor numbers

Gross margin increased compared to the corresponding quarter of the previous year. Total expenses were unchanged in the quarter year-on-year.

Operating income amounted to SEK 6 M (9), with an operating margin of 2.4% (3.6).

Business area inventories remained unchanged in the quarter. Inventories were slightly higher at the end of the quarter compared to the corresponding period in the previous year.

Refurbishment is continuing at a high pace. The refurbishment of NK Beauty in Stockholm was completed in the quarter. The department has increased its floor space and launched a number of new international brands. NK Fine Jewelry & Watches in Stockholm was also completed at the beginning of February after extensive refurbishment. The department offers exclusive jewelry, watches and selected accessories.

The Stockholm department store saw two further events from other companies as part of the NK2020 renewal project in March. NK opened a new Food Hall, offering a traditional food hall experience that includes restaurants and basic food-stuffs. Luxury brand Balenciaga opened its first department in Sweden at NK Stockholm.

## **THE PERIOD, SEPTEMBER 1, 2018 – FEBRUARY 28, 2019**

Net sales in the Departments & Stores business area were SEK 479 M (488), a decrease of 2.0 percent. The number of visitors in the two in-store departments in Stockholm and Gothenburg was down in the period year-on-year. Average spend per customer and the conversion rate continued to increase, but did not offset declining visitor numbers.

Gross margin increased compared to the corresponding period of the previous year. Total expenses in the period were up in year-on-year terms.

Operating income amounted to SEK 18 M (21), with an operating margin of 3.8 percent (4.4).

Business area inventories increased in the period. Inventories were slightly higher at the end of the period compared to the corresponding period in the previous year.



# Man of a kind

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Man of a kind offers a curated range of the strongest international and Scandinavian brands in an inspiring environment with world-class service

## **SECOND QUARTER, DECEMBER 1, 2018 – FEBRUARY 28, 2019**

Net sales in the Man of a kind business area were SEK 6 M (3). Visitor numbers more than doubled in year-on-year terms. Gross margin was significantly higher compared to the corresponding quarter in the previous year. Expenses such as performance marketing and freight were up.

Operating income was SEK -5 (-3) M.

Man of a kind's inventories are included in Departments & Stores' inventories.

During the quarter, the range continued to expand to include Italian fashion house Moschino, Plein Sport and French-Japanese Maison Kitsuné.

## **THE PERIOD, SEPTEMBER 1, 2018 – FEBRUARY 28, 2019**

Net sales in the Man of a kind business area were SEK 12 M (6). Visitor numbers more than doubled in the period year-on-year. Gross margin was significantly higher compared to the corresponding period in the previous year. Expenses such as performance marketing and freight were up.

Operating income was SEK -8 (-6) M.

Man of a kind's inventories are included in Departments & Stores' inventories.

During the period, the range continued to expand to include Tom Ford, Moschino, Billionaire, Plein Sport and Maison Kitsuné. Male grooming has also been added with brands such as Acqua di Parma, Mühle, Gucci and Prada.



# POLARN O. PYRET

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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 customers to make better purchases—today and in the future.

## **SECOND QUARTER, DECEMBER 1, 2018 – FEBRUARY 28, 2019**

Net sales in the Polarn O. Pyret business area totaled SEK 220 M (196). Sales in comparable proprietary stores on all national markets increased by 9.5 percent year-on-year, expressed in SEK. Comparable sales increased on all national markets, both in physical stores and online. However, a majority of the percentage sales growth was derived from e-commerce operations. Brand sales (total sales to consumers excluding VAT across all markets and distribution channels) were SEK 934 M (860) on a rolling 12-month basis.

Gross margin for the quarter was down year-on-year as a result of more discounting and campaigns in the quarter.

Expenses were up slightly in the quarter year-on-year.

Operating income amounted to SEK 15 M (12), with an operating margin of 6.7 percent (6.1).

Business area inventories decreased in the quarter. However, the inventory was higher at the end of the quarter in year-on-year terms.

Polarn O. Pyret won two awards in the quarter: The Signum Award for best brand management, and Sweden's Greenest Brand 2018 in the clothing category. Polarn O. Pyret won the Greenest Brand Award for the tenth consecutive year.

During the quarter, one store closed in Sweden and another store will be closed in the next quarter.

## **THE PERIOD, SEPTEMBER 1, 2018 – FEBRUARY 28, 2019**

Net sales in the Polarn O. Pyret business area totaled SEK 455 (415) M in the period. Sales in comparable proprietary stores on all national markets increased by 6.3 percent year-on-year, expressed in SEK. Comparable sales increased on all national markets. E-commerce represents a majority of the sales growth. Gross margin in the period was down year-on-year as a result of more discounting and campaigns.

Expenses were up slightly in the period year-on-year.

Operating income amounted to SEK 46 M (46), with an operating margin of 10.0 percent (11.0). The figure for the year includes a negative allocation to periods.

Business area inventories decreased significantly in the period. However, the inventory was higher at the end of the period in year-on-year terms.

Polarn O. Pyret won several awards in the period: Design Concept of the Year at the Habit Fashion Show 2018, the Signum Award for best brand management, and Sweden's Greenest Brand 2018 in clothing.

During the period four stores have closed in Sweden and Norway.



# Financial position and liquidity

The Group's total assets amounted to SEK 1,195 M, compared to SEK 1,225 M at the end of the previous financial year. At the end of the period, equity was SEK 373 M, and SEK 389 M at the end of the previous financial year, providing an equity/assets ratio of 31,2 percent (31.8) at year-end.

As of February 28, inventories totaled SEK 449 M (432), compared to SEK 499 M at the end of the previous financial year.

Cash flow from changes in working capital was positive in the period at SEK 59 M (-13), mainly due to decreased inventories. Cash flow from operating activities was SEK 74 M (47) in the period. After investments, cash flow was SEK 31 M (18).

Net debt decreased to SEK 404 M (356), compared to SEK 434 M at the end of the previous financial year. The Group's cash and cash equivalents including unutilized overdraft facilities totaled SEK 96 M (140) at the end of the period, compared to SEK 65 M at the end of the previous financial year.

## INVESTMENTS AND DEPRECIATION/AMORTIZATION

Investments during the period, excluding investments in subsidiaries, totaled SEK 38 M (22). Depreciation/amortization and impairment totaled SEK -26 M (-21).

## EMPLOYEES

The average number of employees was 987 (1,002) in the period.

## RELATED-PARTY TRANSACTIONS

There were no other transactions 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 34 of the 2017/2018 Annual Report.

## TAX

During the financial year, the Group paid tax totaling SEK 0 M (0). As the company had non-capitalized loss carry forwards of SEK 711 M at the end of the previous financial year, tax expenses are expected to remain low. For more information, see Note 9 of the 2017/2018 Annual Report.

## PARENT COMPANY

Parent Company net sales were SEK 53 (46) M. Profit/loss after net financial items was SEK -46 (-20) M. Investments totaled SEK 13 (9) M.

## SEASONAL VARIATIONS

Retail sales are affected by seasonal variations, with the highest sales generated during the fall and winter. Gross margin is affected by periodic clearance sales. Deviations from normal weather conditions impact both sales and margins. Sales per quarter are relatively evenly distributed during the year, although the first quarter is generally the strongest and the third quarter weakest in terms of sales. Operating income varies significantly between quarters. The first quarter generates a significantly higher share of operating income. The third quarter generally generates the lowest operating income.

## 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.

### *Operational risks*

- Demand for RNB's products, like general demand in the retail sector, is affected by changes in overall market conditions, consumer patterns, seasonality and weather conditions.
- Competition from existing and new operators active in RNB's segments.
- Identifying continuously shifting fashion trends and customer preferences.

For a more detailed description of the Group's risks and risk management, see Note 35 of the 2017/2018 Annual Report.

## REVIEW

This Interim Report has not been subject to review by the Company's Auditors.

*The Board of Directors and President provide their assurance that the Interim Report provides a fair and accurate view of the company's and Group's operations, financial position and results of operations, and describes the material risks and uncertainties the company and the companies included in the Group face.*

Stockholm, Sweden, March 26, 2019  
The Board of Directors and Chief Executive Officer of  
RNB RETAIL AND BRANDS AB (publ)

Laszlo Kriss  
*Chairman*

Per Thunell  
*Deputy Chairman*

Monika Elling  
*Board member*

Michael Lemner  
*Board member*

Joel Lindeman  
*Board member*

Sara Wimmercranz  
*Board member*

Magnus Håkansson  
*President and CEO*

# Consolidated Income Statement

SEK M	3 months		6 months		12 months	
	Dec 2018 -Feb 2019	Dec 2017 -Feb 2018	Sep 2018 -Feb 2019	Sep 2017 -Feb 2018	Mar 2018 -Feb 2019	Sep 2017 -Aug 2018
Net sales	603.9	588.9	1,203.4	1,171.4	2,270.4	2,238.4
Goods for resale	-323.9	-312.1	-600.4	-577.9	-1,144.5	-1,122.0
<b>Gross income</b>	<b>280.0</b>	<b>276.8</b>	<b>603.0</b>	<b>593.5</b>	<b>1,125.9</b>	<b>1,116.4</b>
Other operating income	7.9	7.7	14.5	14.8	33.5	33.8
Other external expenses	-142.3	-128.0	-283.6	-260.7	-539.8	-516.9
Personnel expenses	-158.4	-141.9	-300.4	-282.5	-562.2	-544.3
Depreciation and impairment of non-current assets	-15.5	-10.3	-26.2	-20.8	-47.3	-41.9
<b>Operating income</b>	<b>-28.3</b>	<b>4.3</b>	<b>7.3</b>	<b>44.3</b>	<b>10.1</b>	<b>47.1</b>
Financial income	0.0	-0.7	0.7	1.3	4.6	5.2
Financial expenses	-7.5	-3.0	-16.4	-8.9	-34.9	-27.4
Unrealized profit/loss on futures contracts	-0.8	0.2	-2.6	9.5	1.7	13.8
<b>Net financial items</b>	<b>-8.3</b>	<b>-3.5</b>	<b>-18.3</b>	<b>1.9</b>	<b>-28.6</b>	<b>-8.4</b>
<b>Profit before tax from continuing operations</b>	<b>-36.6</b>	<b>0.8</b>	<b>-11.0</b>	<b>46.2</b>	<b>-18.5</b>	<b>38.7</b>
Tax on net income for the period	1.9	0.0	1.7	0.0	-0.6	-2.3
<b>Net income for the period</b>	<b>-34.7</b>	<b>0.8</b>	<b>-9.3</b>	<b>46.2</b>	<b>-19.1</b>	<b>36.4</b>
<b>Other comprehensive income</b>						
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>						
Cash flow hedges – value changes	6.0	7.8	4.7	17.9	15.1	28.3
Cash flow hedges recognised in income	-5.9	-3.9	-12.2	-3.9	-9.9	-1.6
Translation differences	-0.9	-1.5	0.0	-2.5	-1.0	-3.5
Tax attributable to items in other comprehensive income	-	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-35.5</b>	<b>3.2</b>	<b>-16.8</b>	<b>57.7</b>	<b>-14.9</b>	<b>59.6</b>
<b>Net income for the period attributable to:</b>						
Parent Company's shareholders	-34.7	0.8	-9.3	46.2	-19.1	36.4
	<b>-34.7</b>	<b>0.8</b>	<b>-9.3</b>	<b>46.2</b>	<b>-19.1</b>	<b>36.4</b>
<b>Comprehensive income attributable to:</b>						
Parent Company's shareholders	-35.5	3.2	-16.8	57.7	-14.9	59.6
	<b>-35.5</b>	<b>3.2</b>	<b>-16.8</b>	<b>57.7</b>	<b>-14.9</b>	<b>59.6</b>
<b>Earnings per share before and after dilution (SEK)</b>	<b>-1.02</b>	<b>0.02</b>	<b>-0.27</b>	<b>1.36</b>	<b>-0.56</b>	<b>1.07</b>
<b>Average number of shares, (000s)</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>

# Consolidated Cash Flow Statement, in summary

SEK M	3 months		6 months		12 months	
	Dec 2018 -Feb 2019	Dec 2017 -Feb 2018	Sep 2018 -Feb 2019	Sep 2017 -Feb 2018	Mar 2018 -Feb 2019	Sep 2017 -Aug 2018
<b>Operating activities</b>						
Operating income	-28.3	4.3	7.3	44.3	10.1	47.1
Interest received and other financial income	0.0	-0.7	0.7	1.3	-0.3	0.3
Interest paid	-11.2	-1.3	-20.2	-7.2	-30.3	-17.3
Adjustment for non-cash items	16.1	10.5	26.7	21.0	48.8	43.1
Tax paid	0.0	0.0	0.0	0.0	-1.7	-1.7
<b>Cash flow before change in working capital</b>	<b>-23.4</b>	<b>12.8</b>	<b>14.5</b>	<b>59.4</b>	<b>26.6</b>	<b>71.5</b>
<b>Cash flow from change in working capital</b>						
Change in inventories	56.3	27.0	50.9	-3.4	-15.3	-69.6
Decrease (+)/increase (-) in current receivables	-21.7	-6.9	6.4	-2.7	2.4	-6.7
Decrease (-)/increase (+) in current liabilities	15.8	-48.8	2.1	-6.8	24.1	15.2
<b>Change in working capital</b>	<b>50.4</b>	<b>-28.7</b>	<b>59.4</b>	<b>-12.9</b>	<b>11.2</b>	<b>-61.1</b>
<b>Cash flow from operating activities</b>	<b>27.0</b>	<b>-15.9</b>	<b>73.9</b>	<b>46.5</b>	<b>37.8</b>	<b>10.4</b>
<b>Cash flow from investing activities</b>	<b>-17.6</b>	<b>-15.9</b>	<b>-42.6</b>	<b>-28.1</b>	<b>-81.4</b>	<b>-66.9</b>
<b>Cash flow after investments</b>	<b>9.4</b>	<b>-31.8</b>	<b>31.3</b>	<b>18.4</b>	<b>-43.6</b>	<b>-56.5</b>
<b>Financing activities</b>						
Change in overdraft facility	0.0	0.0	-26.3	0.0	0.0	26.3
Change in liabilities to financial institutions	0.0	0.1	0.0	0.0	0.0	0.0
Issue of Corporate bond	0.0	395.1	0.0	395.1	0.0	395.1
Amortization of loan	0.0	-380.0	0.0	-380.0	0.0	-380.0
Paid dividend	0.0	-10.2	0.0	-10.2	0.0	-10.2
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>5.0</b>	<b>-26.3</b>	<b>4.9</b>	<b>0.0</b>	<b>31.2</b>
<b>Cash flow during the period</b>	<b>9.4</b>	<b>-26.8</b>	<b>5.0</b>	<b>23.3</b>	<b>-43.6</b>	<b>-25.3</b>
Cash and cash equivalents at beginning of period	6.7	86.5	11.3	36.4	59.5	36.4
Exchange difference in cash and cash equivalents	0.2	-0.2	0.0	-0.2	0.4	0.2
<b>Cash and cash equivalents at end of period</b>	<b>16.3</b>	<b>59.5</b>	<b>16.3</b>	<b>59.5</b>	<b>16.3</b>	<b>11.3</b>

## Consolidated Balance Sheet, in summary

SEK M	Feb 28, 2019	Feb 28, 2018	Aug 31, 2018
<b>Assets</b>			
Intangible assets	448.0	435.7	446.9
Tangible assets	85.9	67.7	77.3
Financial assets	15.3	13.5	13.5
<b>Total non-current assets</b>	<b>549.2</b>	<b>516.9</b>	<b>537.7</b>
Inventories	448.5	432.1	499.3
Current receivables	181.4	156.1	177.2
Cash	16.3	59.5	11.3
<b>Total current assets</b>	<b>646.2</b>	<b>647.7</b>	<b>687.8</b>
<b>Total assets</b>	<b>1,195.4</b>	<b>1,164.6</b>	<b>1,225.5</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to the Parent Company shareholders	372.6	387.5	389.4
<b>Total equity</b>	<b>372.6</b>	<b>387.5</b>	<b>389.4</b>
Non-current liabilities	428.9	415.1	418.5
Current liabilities	393.9	362.0	417.6
<b>Total liabilities</b>	<b>822.8</b>	<b>777.1</b>	<b>836.1</b>
<b>Total equity and liabilities</b>	<b>1,195.4</b>	<b>1,164.6</b>	<b>1,225.5</b>

## Changes in shareholders' equity, in summary

SEK M	Sep 2018 –Feb 2019	Sep 2017 –Feb 2018	Sep 2017 –Aug 2018
Opening balance	389.4	340.0	340.0
Net income for the period	-9.3	46.2	36.4
<b>Other comprehensive income</b>			
Changes to cash flow hedges	4.7	17.9	28.3
Cash flow hedges recognised in income	-12.2	-3.9	-1.6
Translation differences	0.0	-2.5	-3.5
<b>Total comprehensive income for the year</b>	<b>-16.8</b>	<b>57.7</b>	<b>59.6</b>
Paid dividend	0.0	-10.2	-10.2
<b>Balance at end of period</b>	<b>372.6</b>	<b>387.5</b>	<b>389.4</b>

## Key ratios

SEK M	Sep 2018 –Feb 2019	Sep 2017 –Feb 2018	Mar 2018 –Feb 2019	Sep 2017 –Aug 2018
Gross margin, %	50.1	50.7	49.6	49.9
Operating margin, %	0.6	3.8	0.4	2.1
Equity/assets ratio, %	31.2	33.3	31.2	31.8
Interest coverage ratio, x	0.4	6.2	0.5	2.4
Ratio of net debt and operating income before depreciation/amortization	12.1	5.5	7.0	4.9
Net debt, MSEK	404.0	355.6	404.0	433.5
Net debt/equity ratio, %	108.4	91.8	108.4	111.3
Return on equity, %	-2.4	12.7	-5.0	10.0
Return on capital employed, %	1.0	8.4	2.0	8.4
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	-0.27	1.36	-0.56	1.07
Equity per share at end of period, SEK	10.99	11.43	10.99	11.48
Average number of employees, full time	987	1,002	1,006	1,021

## Shareholders

Largest shareholders as of February 28, 2019

	Number of shares	Share capital/ Votes, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	4,000,000	11.8
Catella Fondförvaltning	2,021,524	6.0
Avanza Pension Försäkringsaktiebolaget	1,941,392	5.8
Hans Björstrand	1,395,500	4.1
Nordnet pensionsförsäkring AB	1,007,892	3.0
Pareto Securities AS	986,249	2.9
Skandia Leben	336,500	1.0
Johan Fahlin	335,503	1.0
Anders Olsson	250,000	0.7
<b>Total 10 largest shareholders</b>	<b>23,521,158</b>	<b>69.5</b>
Other	10,391,018	30.5
<b>Total</b>	<b>33,912,176</b>	<b>100.0</b>

Source: Euroclear Sweden AB

## Income Statement per quarter, Group

SEK M	Q2		Q1		Q4		Q3	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017
Net sales	603.9	588.9	599.5	582.5	560.7	555.4	509.5	491.7
Goods for resale	-323.9	-312.1	-276.5	-265.8	-301.0	-290.6	-243.1	-226.9
<b>Gross income</b>	<b>280.0</b>	<b>276.8</b>	<b>323.0</b>	<b>316.7</b>	<b>259.7</b>	<b>264.8</b>	<b>266.4</b>	<b>264.8</b>
Other operating income	7.9	7.7	6.6	7.1	6.5	11.7	9.3	6.8
Other external expenses	-142.3	-128.0	-141.3	-132.7	-133.1	-128.9	-123.1	-124.6
Personnel expenses	-158.4	-141.9	-142.0	-140.6	-124.8	-132.2	-137.0	-133.6
Depreciation and impairment of non-current assets	-15.5	-10.3	-10.7	-10.5	-11.1	-11.4	-10.0	-11.7
<b>Operating income</b>	<b>-28.3</b>	<b>4.3</b>	<b>35.6</b>	<b>40.0</b>	<b>-2.8</b>	<b>4.0</b>	<b>5.6</b>	<b>1.7</b>
Financial income	0.0	-0.7	0.7	2.0	2.7	-0.3	1.2	0.8
Financial expenses	-7.5	-3.0	-8.9	-5.9	-9.1	-5.2	-9.4	-3.8
Unrealized profit/loss on futures contracts	-0.8	0.2	-1.8	9.3	-1.5	-10.6	5.8	-9.1
<b>Net financial items</b>	<b>-8.3</b>	<b>-3.5</b>	<b>-10.0</b>	<b>5.4</b>	<b>-7.9</b>	<b>-16.1</b>	<b>-2.4</b>	<b>-12.1</b>
<b>Profit before tax from continuing operations</b>	<b>-36.6</b>	<b>0.8</b>	<b>25.6</b>	<b>45.4</b>	<b>-10.7</b>	<b>-12.1</b>	<b>3.2</b>	<b>-10.4</b>
Tax on net income for the quarter	1.9	0.0	-0.2	0.0	-2.1	-0.7	-0.2	-1.6
<b>Net income for the quarter</b>	<b>-34.7</b>	<b>0.8</b>	<b>25.4</b>	<b>45.4</b>	<b>-12.8</b>	<b>-12.8</b>	<b>3.0</b>	<b>-12.0</b>
<b>Other comprehensive income</b>								
Other comprehensive income, to be reclassified to net income in subsequent quarters								
Cash flow hedges – value changes	6.0	4.2	-1.3	13.7	2.7	-5.6	7.7	-
Cash flow hedges recognised in income	-5.9	-0.3	-6.3	-3.6	-1.6	-	3.9	-
Translation differences	-0.9	-1.5	0.9	-1.0	-0.7	1.5	-0.3	-0.1
Tax attributable to items in other comprehensive income	-	-	-	-	-	-	-	-
<b>Comprehensive income for the quarter</b>	<b>-35.5</b>	<b>3.2</b>	<b>18.7</b>	<b>54.5</b>	<b>-12.4</b>	<b>-16.9</b>	<b>14.3</b>	<b>-12.1</b>

## Key ratios per quarter

SEK M	Q2		Q1		Q4		Q3	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017
Gross margin, %	46.4	47.0	53.9	54.4	46.3	47.7	52.3	53.9
Operating margin, %	-4.7	0.7	5.9	6.9	-0.5	0.7	1.1	0.3
Return on equity, %	-8.9	0.2	6.4	12.4	-3.2	-3.7	0.8	-3.3
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	-1.02	0.02	0.75	1.34	-0.38	-0.38	0.09	-0.35
Equity per share at end of quarter, SEK	10.99	11.43	12.03	11.63	11.48	10.03	11.85	10.52
Total equity	372.6	387.5	408.1	394.5	389.4	340.0	401.8	356.9
Cash flow per share from operating activities	0.8	-0.5	1.4	1.8	-1.1	-0.7	0.1	0.3
Cash flow from operating activities	27.0	-15.9	46.9	62.4	-38.9	-23.6	3.0	11.2
Share price at end of quarter, SEK	6.0	8.8	6.7	11.3	8.3	12.8	7.3	12.8

## Income Statement, Parent Company

SEK M	3 months		6 months		12 months	
	Dec 2018 -Feb 2019	Dec 2017 -Feb 2018	Sep 2018 -Feb 2019	Sep 2017 -Feb 2018	Mar 2018 -Feb 2019	Sep 2017 -Aug 2018
Net sales	25.4	23.0	52.8	45.9	99.3	92.4
Other operating income	1.1	1.6	2.9	2.9	4.6	4.6
	<b>26.5</b>	<b>24.6</b>	<b>55.7</b>	<b>48.8</b>	<b>103.9</b>	<b>97.0</b>
<b>Operating expenses</b>						
Other external expenses	-23.5	-17.7	-42.1	-36.7	-75.4	-70.0
Personnel expenses	-22.2	-13.9	-36.7	-26.7	-61.3	-51.3
Depreciation and impairment of non-current assets	-8.1	-3.1	-11.1	-5.9	-16.8	-11.6
<b>Operating income</b>	<b>-27.3</b>	<b>-10.1</b>	<b>-34.2</b>	<b>-20.5</b>	<b>-49.6</b>	<b>-35.9</b>
Result from participations in group companies	0.0	0.0	0.0	0.0	44.7	44.7
Financial income	0.9	0.0	2.2	9.3	7.1	14.2
Financial expenses	-6.8	-4.6	-13.5	-8.4	-27.2	-22.1
<b>Result after financial items</b>	<b>-33.2</b>	<b>-14.7</b>	<b>-45.5</b>	<b>-19.6</b>	<b>-25.0</b>	<b>0.9</b>
Taxes	-	-	-	-	-	-
<b>Net income for the period</b>	<b>-33.2</b>	<b>-14.7</b>	<b>-45.5</b>	<b>-19.6</b>	<b>-25.0</b>	<b>0.9</b>

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

## Balance Sheet, Parent Company, in summary

SEK M	Feb 28, 2019	Feb 28, 2018	Aug 31, 2018
<b>Assets</b>			
Intangible assets	43.4	27.7	40.0
Property, plant and equipment	2.2	4.2	3.8
Financial assets	569.1	561.7	567.0
Deferred tax assets	118.6	89.0	140.4
Other current assets	0.0	46.4	0.0
<b>Total assets</b>	<b>733.3</b>	<b>729.0</b>	<b>751.2</b>
<b>Shareholders' equity and liabilities</b>			
Equity	213.7	238.7	259.1
Non-current liabilities	404.7	395.2	395.1
Current liabilities	114.9	95.1	97.0
<b>Total equity and liabilities</b>	<b>733.3</b>	<b>729.0</b>	<b>751.2</b>

# Reconciliation of key ratios

SEK M	6 months		12 months	
	Sep 2018 -Feb 2019	Sep 2017 -Feb 2018	Mar 2018 -Feb 2019	Sep 2017 -Aug 2018
Net sales	1,203.4	1,171.4	2,270.4	2,238.4
Goods for resale	-600.4	-577.9	-1,144.5	-1,122.0
<b>Gross profit</b>	<b>603.0</b>	<b>593.5</b>	<b>1,125.9</b>	<b>1,116.4</b>
Other operating income	14.5	14.8	33.5	33.8
Other external expenses	-283.6	-260.7	-539.8	-516.9
Personnel expenses	-300.4	-282.5	-562.2	-544.3
Depreciation and impairment of non-current assets	-26.2	-20.8	-47.3	-41.9
<b>Operating income (EBIT)</b>	<b>7.3</b>	<b>44.3</b>	<b>10.1</b>	<b>47.1</b>
Interest income and similar profit/loss items	0.7	1.3	4.6	5.2
Interest expenses and similar profit/loss items	-16.4	-8.9	-34.9	-27.4
Unrealized profit/loss on futures contracts	-2.6	9.5	1.7	13.8
<b>Net financial items</b>	<b>-18.3</b>	<b>1.9</b>	<b>-28.6</b>	<b>-8.4</b>
<b>Profit/loss after financial items</b>	<b>-11.0</b>	<b>46.2</b>	<b>-18.5</b>	<b>38.8</b>
Adjustments:				
Tax on net profit/loss for the period	1.7	0.0	-0.6	-2.3
<b>Net income for the period</b>	<b>-9.3</b>	<b>46.2</b>	<b>-19.1</b>	<b>36.4</b>
Operating income	7.3	44.3	10.1	47.1
Depreciation and impairment of non-current assets	26.2	20.8	47.3	41.9
<b>Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)</b>	<b>33.5</b>	<b>65.1</b>	<b>57.4</b>	<b>89.0</b>
Loans	0.0	0.0	0.0	0.0
Contingent consideration	24.1	19.9	24.1	23.4
Other non-current interest-bearing liabilities	396.2	395.2	396.2	395.1
<b>Non-current liabilities</b>	<b>420.3</b>	<b>415.1</b>	<b>420.3</b>	<b>418.5</b>
Loans	0.0	0.0	0.0	0.0
Contingent consideration	24.1	19.9	24.1	23.4
Other non-current interest-bearing liabilities	396.2	395.2	396.2	395.1
Other current interest-bearing liabilities	0.0	0.0	0.0	26.3
Cash and cash equivalents	-16.3	-59.5	-16.3	-11.3
<b>Net debt</b>	<b>404.0</b>	<b>355.6</b>	<b>404.0</b>	<b>433.5</b>
Equity, opening balance	389.4	340.0	387.5	340.0
Equity, closing balance	372.6	387.5	372.6	389.4
<b>Average equity</b>	<b>381.0</b>	<b>363.8</b>	<b>380.1</b>	<b>364.7</b>
Total assets	1,195.4	1,164.6	1,195.4	1,225.5
Trade payables	-199.3	-172.4	-199.3	-204.1
Other current liabilities	-194.6	-189.6	-194.6	-187.2
<b>Capital employed</b>	<b>801.5</b>	<b>802.6</b>	<b>801.5</b>	<b>834.2</b>
Net income for the period	-9.3	46.2	-19.1	36.4
Average equity	381.0	363.8	380.1	364.7
<b>Return on equity, %</b>	<b>-2.4</b>	<b>12.7</b>	<b>-5.0</b>	<b>10.0</b>
Capital employed, opening balance	834.2	739.1	802.6	739.1
Capital employed, closing balance	801.5	802.6	801.5	834.2
<b>Average capital employed</b>	<b>817.9</b>	<b>770.9</b>	<b>802.1</b>	<b>786.7</b>
Interest expenses and similar profit/loss items	-16.4	-8.9	-34.9	-27.4
Unrealized expense on futures contracts	-2.6	0.0	0.0	0.0
Profit before tax from continuing operations	-11.0	46.2	-18.5	38.8
Average capital employed	817.9	770.9	802.1	786.7
<b>Return on capital employed, %</b>	<b>1.0</b>	<b>7.1</b>	<b>2.0</b>	<b>8.4</b>
Operating income	7.3	44.3	10.1	47.1
Interest income and similar profit/loss items	0.7	1.3	4.6	5.2
Unrealized income on futures contracts	0.0	9.5	1.7	13.8
<b>Profit/loss after financial income</b>	<b>8.0</b>	<b>55.1</b>	<b>16.4</b>	<b>66.1</b>

# Definition of key ratios

This report contains financial metrics not defined in IFRS. These financial metrics are used to monitor, 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 the progress of the Group's financial targets and are therefore presented 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 margin measures operational profitability.

## RETURN METRICS

### *Return on equity*

Net income excluding minority interests as a percentage of average equity. Average equity is calculated as equity attributable to parent company shareholders at the beginning of the year plus equity attributable to parent company shareholders at year-end divided by two.

*Purpose:* The measure illustrates returns generated on shareholders' equity.

### *Return on capital employed*

Profit/loss 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:* Return generated by the company independently of financing.

## FINANCIAL METRICS

### *Equity/assets ratio*

Shareholders' equity in relation to total assets.

*Purpose:* The equity/assets ratio indicates the proportion of assets financed by shareholders' equity.

### *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 company's ability to use cash and cash equivalents to repay interest-bearing liabilities if they were to become due on the day of calculation.

### *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/loss after net financial items plus financial expenses divided by financial expenses and the expense for unrealized profit/loss on futures contracts.

*Purpose:* The 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 parent company 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 in the period.

*Purpose:* The measure is used to assess investment progress from a shareholder perspective.

## OTHER 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 common 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, own e-commerce sites and e-commerce partnerships.

### *Stilindex*

The index of sales growth of clothing in proprietary stores and on internet in Sweden, as measured in comparable units and in current prices. Presented by Svensk Handel Stil. HUI Research is responsible for data collection and processing.

# Noter

## NOTE 1 ACCOUNTING POLICIES

This report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Interim Report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2—Accounting for Legal Entities. The accounting policies applied correspond to the information provided in the Annual Report 2017/2018 with the exception that the Group apply IFRS 9 and IFRS 15 as of 1 September 2018.

In the Interim Report, gross profit is reported separately, which diverges from the presentation in the Annual Report.

Furthermore, since the previous quarter, unrealized losses on currency hedges that fail to comply with hedge accounting are reported, in the Group, on a dedicated line under Net financial items.

In the third quarter 2017/2018 Brothers reclassified re-invoiced rent from Net sales to Other operating income. Previous periods have been adjusted.

*IFRS 9 Financial Instruments.* The Group has evaluated the reservation of doubtful accounts receivable and the transition to IFRS 9 did not have any significant effects.

*IFRS 15 Revenue from Customer Contracts.* The RNB Group's primary income is derived from sales of goods to consumers and franchisees, where the performance commitment, the point in time when the customer gains control over an item, and when payment is made, are clearly distinguishable. Accordingly, the transition to IFRS 15 did not have any material impact on the RNB Group's revenue recognition. The point in time when control over an item is transferred to the customer corresponds to the point in time when revenue is recognized by the RNB Group according to IAS 18. Regarding revenue recognition for rights of return, loyalty schemes and gift vouchers, the Group considers that no material differences arised from the transition to IFRS 15.

### **New IFRS standards that have been issued but not yet become effective**

*IFRS 16 Leases,* applies to financial years starting January 1, 2019, which for RNB Retail and Brands means the financial year 2019/2020. The company's preliminary assessment is that the standard will significantly affect the Financial Statements as the standard will result in the reporting of material assets and liabilities attributed to the Group's rental agreements for its premises.

The Group has initiated preparations ahead of implementing the standard and has completed an upgrade of its systems support and has adapted its internal reporting to ensure compliance with the regulatory framework.

## NOTE 2 FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

The Group's financial instruments consist of cash and cash equivalents, trade receivables, accrued income, other receivables, trade payables, interest-bearing liabilities, accrued expenses, conditional purchase consideration and other liabilities and currency derivatives. Trade receivables and trade payables are reported at estimated fair value. Group borrowing is reported at accrued cost. Currency derivatives in the form of currency futures and currency options are valued at fair value based on the valuation of credit institutions in accordance with level 2 in the Fair value hierarchy.

The Group uses derivative instruments to manage currency risks in USD and EUR. Hedge accounting is applied when there is an effective link between hedged future cashflows and financial derivatives. Furthermore, since the previous quarter, unrealized losses on currency hedges that fail to comply with hedge accounting are reported on a dedicated line under Net financial items.

Fair value of financial derivatives was SEK 13 (6) M.

# RNB RETAIL AND BRANDS

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