

RNB

INTERIM REPORT FOR THE PERIOD
1 SEPTEMBER 2017 – 31 MAY 2018

3



RNB RETAIL AND BRANDS

POLARN O. PYRET
DEPARTMENTS & STORES

Man of a kind
BROTHERS

Increased earnings and stronger e-commerce sales

E-commerce sales continued to increase sharply, and were up by 65% in the quarter year on year. Brothers' e-commerce sales doubled in the quarter. Polarn O. Pyret's e-commerce sales increased by more than 40% in the quarter, with e-commerce comprising 16% of total net sales. Operating income for the Group increased to SEK 6 M (2) in the third quarter.

THIRD QUARTER, MARCH 1, 2018 – MAY 31, 2018 IN SUMMARY

- Net sales were SEK 510 M (490).
- Sales for comparable stores in the Group increased by 2.2 percent.
- Sales for comparable stores in Sweden increased by 1.0 percent against market growth of 1.4 percent.
- Operating income was SEK 6 m (2).
- Profit after tax increased to SEK 3 m (-12).
- Earnings per share increased to SEK 0.09 (-0.35).
- Cash flow from operating activities was SEK 3 m (11).

THE PERIOD, SEPTEMBER 1, 2017 – MAY 31, 2018 IN SUMMARY

- Net sales were SEK 1,678 m (1,662).
- Sales for comparable stores in Sweden were unchanged, outperforming the market downturn of -2.1 percent.
- Operating income was SEK 50 m (59).
- Profit after tax was SEK 49 m (43).
- Earnings per share was SEK 1.45 (1.27).
- Cash flow from operating activities was SEK 50 m (74).

EVENTS IN THE QUARTER

- Polarn O. Pyret was awarded Loyalty program of the year by the Swedish Retail Awards 2018.
- RNB invested, thru Retailers Lab, in Hyber, an e-commerce operator that is bringing the sharing economy to children's clothing.
- Polarn O. Pyret opened a flagship store with an entirely new concept in central Stockholm. Three further stores were adapted according to the new concept in the quarter.
- Brothers opened stores in Mall of Scandinavia in Stockholm and in Bergvik mall outside Karlstad, Sweden.
- Lease contract signed for new stores for Polarn O. Pyret and Brothers in Gallerian in Stockholm.
- Lina Söderqvist assumed as CEO of Departments & Stores and Carl Franke as group CIO.

CONTACT

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

PRESS AND ANALYST MEETING

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 June 27 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 8 503 365 62 (Sweden)
+44 20 300 898 06 (UK)
+ 1 855 753 22 36 (USA)

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

FINANCIAL CALENDAR

Interim Report, fourth quarter 2017/2018	October 11, 2018
Annual General Meeting 2017/2018	December 20, 2018
Interim Report, first quarter 2018/2019	December 20, 2018
Interim Report, second quarter 2018/2019	March 26, 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 June 27, 2018, 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

INCREASED EARNINGS AND E-COMMERCE GROWTH OF 65 PERCENT

Despite the seasonally weak quarter, we were pleased to see that operating income increased by SEK 4 M to SEK 6 M. E-commerce sales increased by all of 65 percent in the quarter, demonstrating that our adaptations in e-commerce and digital communication are having the desired effects. Brothers' e-commerce sales doubled in the quarter, and Polarn O. Pyret were up by more than 40 percent.

We're also actively improving our stores to ensure a comprehensively modern value offering to our customers. Polarn O. Pyret opened a new flagship store in the PK building in central Stockholm at the beginning of the quarter, and also upgraded its stores in the Ringen mall in Stockholm and at Grensen in Oslo later in the quarter. At the start of the quarter, Brothers opened stores in Mall of Scandinavia and in the Bergvik, mall in Karlstad. Polarn O. Pyret closed one store in the quarter.

Departments & Stores is facing some challenges, as the digital communication and e-commerce development in collaboration with Hufvudstaden and NK is not progressing as intended.

RNB's overall sales growth amounted to +1.0 percent in comparable stores Sweden in the quarter, against Stilindex's (the Swedish Retail and Wholesale Trade Research Institute) 1.4 percent for the same period. Rolling 12-month operating income stands at SEK 54 M.

STRONG PROGRESS AND FURTHER POTENTIAL FOR POLARN O. PYRET

Polarn O. Pyret, which has an effective e-commerce offering, is significantly outperforming the market overall and for e-commerce specifically. The impact of PO.P's extensive reorientation was recognized in May, when the business area was awarded Loyalty program of the year by the Sweden Retail Awards.

Sales for comparable sales units grew by +10 percent in the quarter. E-commerce is progressing well, and comprised 16 percent of total sales in the quarter. Finland and Norway both saw improved earnings in year-on-year terms. Operating income for the quarter was SEK -2 M, up by just over SEK 3 M on the previous year. Rolling 12-month operating income was SEK 47 M, implying an operating margin of just over 6 percent.

PO.P's recently opened flagship store saw positive sales growth. PO.P will be opening a new store in the Gallerian shopping mall in central Stockholm in the fall, which is expected to significantly boost sales in the Stockholm city center.

BROTHERS FOCUSES ON E-COMMERCE AND DIGITAL COMMUNICATION

A partially new marketing team has allowed Brothers to step up the pace of its e-commerce and digital communication



initiatives. Brothers stands to benefit from digital development in largely the same way as PO.P, and the business area is focusing sharply on this objective.

Recruitment of new competences and a realigned plan for e-commerce and digital communication have increased the pace of adaptations, and significant results are expected over the coming period. An extensive customer survey that is currently underway will form the basis of extensive adaptations to the brand strategy. The new brand strategy will form an integral part of the reorientation work.

Sales for all national markets increased by +0.7 percent in the quarter. E-commerce sales almost doubled. Two new stores were opened at the beginning of the quarter. The store in Mall of Scandinavia made positive progress although sales for the store in Bergvik have not yet gathered momentum. A new store will open in the Gallerian mall in central Stockholm during the fall, which also for Brothers is expected to significantly impact sales in the Stockholm city center.

Seasonally strong operating income of SEK 14 M was up by SEK 4 M on the corresponding quarter in the previous year. Rolling 12-month operating income was SEK 21 M, implying an operating margin of just under 4 percent.

DEPARTMENTS & STORES IN COMPLEX REALIGNMENT

Visitor numbers continued to fall in the NK department stores in Stockholm and Gothenburg, and comparable sales were down by -2.5 percent in the quarter. Several factors influenced progress, which shadowed recent quarters. Construction work outside the NK department store in Stockholm, as well

as internal remodeling, negatively impacted operations. The primary factor was probably the expansion of e-commerce, and growing customer demand for this channel. NK doesn't offer an equivalent e-commerce option, and with many premium brands now available online, NK's offering is exposed to increased competition.

The extensive adaptations and improvements to NK in Stockholm are expected to have a positive impact once they've been completed, with full effect anticipated in 2020. However, effective e-commerce and digital communication channels will be required to reinstate competitiveness. The development of e-commerce operations is at the preparatory stage under NK's management. DSE has limited power to influence progress.

A seasonally weak operating income of SEK 4 M was in line with the previous year. Rolling 12-month operating income was SEK 35 M, implying an operating margin of 3.8 percent, against 4.4 percent in the previous year.

MAN OF A KIND FACES LOGISTICS PROBLEMS IN THE QUARTER

Logistics problems prevented Man of a kind from fulfilling a significant proportion of its orders, which implied a partial loss of potential sales volumes. Nevertheless, sales reached SEK 3 M in the quarter, against SEK 0 M in the corresponding quarter in the previous year.

Operating income was SEK -3 M, up by SEK 1 M year-on-year.

MARKET PROGRESS CHALLENGES CONCEPTS

RNB's value offering is facing significant challenges. The technology realignment process is important to our business operations and to the sector as a whole. To be successful, operators require clear brand profiling, effective e-commerce operations and good digital communication—as well as an excellent product and service offering that is unique and mirrors the brand positioning. These conditions are in place with Polarn O. Pyret. Conversely our NK operations in DSE are currently facing some challenges. Brothers has the right competences, an emerging plan and a sharp realignment focus. Brothers has good potential to develop positively.

RNB is making positive overall progress in challenging market conditions. Operating income was up on last year and is set to increase further looking ahead.

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, Man of a kind and Polarn O. Pyret. Within the Departments & Stores business area, departments are managed in the department store NK in Stockholm and in Gothenburg. The Group has some 270 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS has been listed on Nasdaq Stockholm since 2001 under the ticker RNBS.

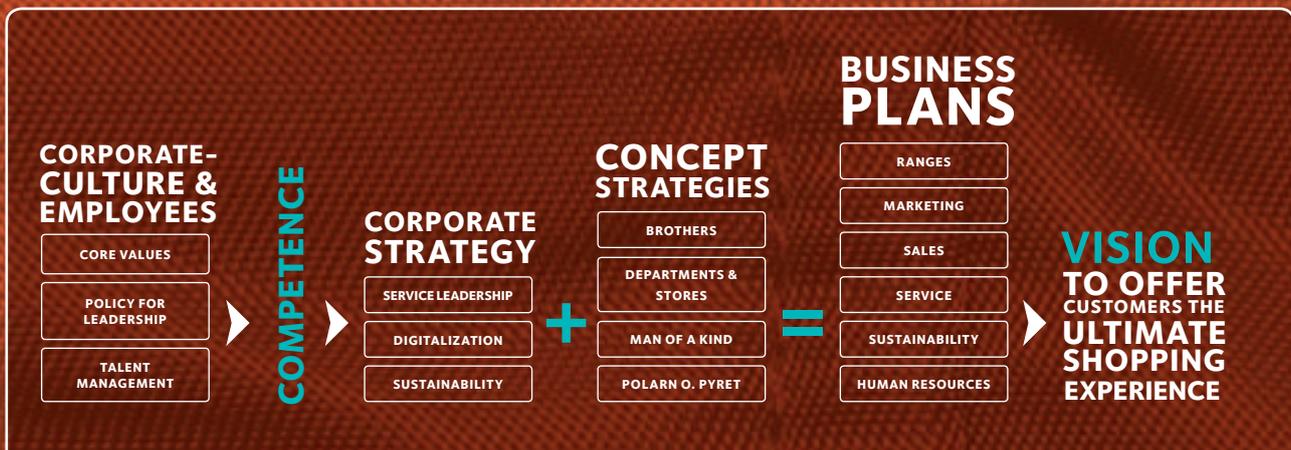
Vision

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

Business concept

RNB RETAIL AND BRANDS' business concept is to realize operational synergies through active ownership that develops and distributes brands in distinct concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics where customers are provided with excellent service and a world-class 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

THIRD QUARTER, MARCH 1, 2018 – MAY 31, 2018

Reported net sales for the Group were SEK 510 M (490) in the third quarter. For comparable sales units in Sweden, sales were up by 1.0 percent, and for all national markets sales increased by 2.2 percent expressed in SEK. Net sales increased in the Man of a kind and Polarn O. Pyret business areas, Brothers' sales remained stable, while Departments & Stores' sales decreased. Business areas with e-commerce operations all experienced continued significant sales growth.

The Group's gross margin decreased slightly to 52.3 percent (53.7) in the quarter, although Man of a kind's gross margin increased year-on-year.

Increases in rent and salary costs were almost entirely offset by rationalizations and cutbacks of other expenses. Marketing investments were stable. Group-wide expenses increased, mainly due to planned increased IT development. Operating income amounted to SEK 6 M (2).

Net financial items were SEK -2 M (-12), of which unrealized gains on currency hedges not affecting cash flow had an effect of SEK 6 M (-9).

Profit after tax amounted to SEK 3 M (-12).

Market progress in the quarter

In Sweden, clothing sales in proprietary stores increased by 1.4 percent in the quarter according to Stilindex. Sales of men's, women's and children's clothing in Finland decreased by -2.2 percent in March-April.

THE PERIOD, SEPTEMBER 1, 2017 – MAY 31, 2018

Reported net sales for the Group were SEK 1,678 M (1,662) in the period. For comparable sales units in Sweden, sales remained unchanged in percentage terms, while sales increased by 0.5 percent expressed in SEK for all national markets. Net sales increased for all business areas with the exception of Departments & Stores. Business areas with e-commerce operations all experienced increased e-commerce sales.

The Group's gross margin decreased to 51.1 percent (51.5) in the period, with Man of a kind and Polarn O. Pyret returning higher gross margins and Brothers an unchanged margin year-on-year.

Increases in rent and salary costs were almost fully offset by rationalizations and cutbacks of other expenses. Marketing costs increased according to plan in the period. Group-wide expenses increased, mainly due to cost increase as a consequence of planned increases in IT development costs.

Operating income was SEK 50 M (59).

Net financial items were SEK 0 M (-14), of which unrealized gains on currency hedges not affecting cash flow had an effect of SEK 15 M (-4).

Profit after tax amounted to SEK 49 M (43).

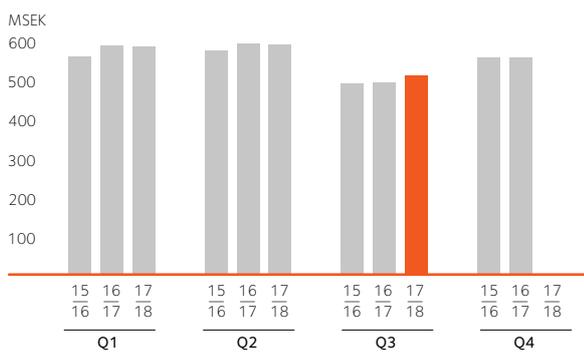
Market progress in the period

In Sweden, clothing sales in proprietary stores decreased by -2.1 percent in the period according to Stilindex. Sales of men's, women's and children's clothing in Finland decreased by -2.5 percent in September-April.

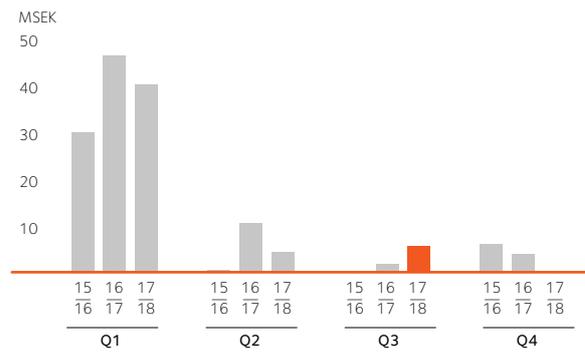
Group overview

	3 months		9 months		12 months	
	Mar 2018	Mar 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2016
	-May 2018	-May 2017	-May 2018	-May 2017	-May 2018	-Aug 2017
Net sales, SEK M	510	490	1 678	1 662	2 232	2 216
Gross margin,(%)	52.3	53.7	51.1	51.5	50.2	50.5
Operating income ,SEK M	6	2	50	59	54	63
Profit before tax, SEK M	3	-10	49	45	37	33
Profit after tax, SEK M	3	-12	49	43	36	30
Operating margin (%)	1.1	0.3	3.0	3.5	2.4	2.8
Earnings per share, SEK	0.09	-0.35	1.45	1.27	1.07	0.90
Cash flow from operating activities, SEK M	3	11	50	74	26	51
Number of sales points	262	267	262	267	262	265

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, interim period	Share, %	Operating income, interim period	Own stores		Franchise	
				Stores	E-com	Stores	E-com
BROTHERS	399MSEK	 24%	18MSEK	Total	53	2	18
				Sweden	41	1	18
				Finland	12	1	
DEPARTMENTS & STORES	693MSEK	 41%	26MSEK	Total	42		
				NK Stockholm	27		
				NK Gothenburg	15		
Man of a kind	8MSEK	 0%	-10MSEK	Totalt	1		
POLARN O. PYRET	578MSEK	 34%	43MSEK	Totalt	99	4	38
				Sweden	55	2	7
				Norway	27	1	
				Finland	17	1	1
				England			17
				USA			3
				Estonia			3
				Ireland			2
				Scotland			3
				Iceland			1
				Latvia			1
Total	1 678MSEK		50MSEK		194	7	56
RNB RETAIL AND BRANDS				250	14	10	7
				stores	e-com	countries	

Net sales and operating income per business area	3 months		9 months		12 months	
	Mar 2018 –May 2018	Mar 2017 –May 2017	Sep 2017 –May 2018	Sep 2016 –May 2017	Jun 2017 –May 2018	Sep 2016 –Aug 2017
Net sales, SEK M						
Brothers	139.4	136.1	399.1	391.7	533.0	525.6
Departments & Stores	204.4	211.0	692.7	722.9	935.7	965.9
Man of a kind	2.5	0.2	8.2	1.1	9.1	2.0
Polarn O. Pyret	163.2	143.1	577.7	546.7	753.9	722.9
Central operations & eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Total	509.5	490.4	1 677.7	1 662.4	2 231.7	2 216.4
Operating income, SEK M						
Brothers	13.8	9.8	17.8	20.6	21.0	23.8
Departments & Stores	4.3	4.5	25.7	33.3	35.3	42.9
Man of a kind	-3.3	-3.7	-9.5	-10.3	-12.4	-13.2
Polarn O. Pyret	-2.4	-4.5	43.2	32.4	46.8	36.0
Central operations & eliminations	-6.8	-4.4	-27.3	-17.4	-36.8	-26.9
Total	5.6	1.7	49.9	58.6	53.9	62.6

BROTHERS

Brothers is a men's fashion concept offering a smart alternative to premium brands

THIRD QUARTER, MARCH 1, 2018 – MAY 31, 2018

Net sales in the Brothers business area totaled SEK 139 M (136). Sales in comparable proprietary sales units in Sweden and Finland increased by 0.7 percent, and e-commerce sales doubled in the quarter. Net sales from franchise stores were down slightly in the quarter compared to the corresponding period in the previous year. Total brand sales (total sales to consumers excluding VAT across markets and distribution channels) were SEK 601 M (608) on a rolling 12-month basis.

The number of paying customers decreased in Sweden and Finland year-on-year. Average spend per paying customer increased slightly on both national markets.

The business area's gross margin was down slightly in the quarter compared to the corresponding period in the previous year, due to factors including negative exchange rate effects. Operating expenses were down in the quarter, mainly due to positive effects of allocations to periods.

Operating income in the quarter was SEK 14 M (10), implying an operating margin of 9.9 percent (7.2).

Inventories increased in the quarter, and were up year-on-year at the end of the quarter.

On March 1, two new Brothers stores opened in Mall of Scandinavia in Stockholm and in the Bergvik mall in Karlstad, Sweden.

THE PERIOD, SEPTEMBER 1, 2017 – MAY 31, 2018

Net sales in the Brothers business area totaled SEK 399 M (392). Sales in comparable proprietary sales units in Sweden and Finland increased by 1.4 percent, with the increase derived from e-commerce and new stores. Net sales from franchise stores were down marginally in the period year-on-year.

The number of paying customers in stores decreased year-on-year. Average spend per paying customer increased on both national markets. Gross margin for the business area was unchanged in the period year-on-year. Excluding exchange rate effects, margins increased.

Operating expenses were higher in the period, largely due to increased marketing costs and new stores.

Operating income in the period was SEK 18 M (21), implying an operating margin of 4.5 percent (5.3).

Inventories increased slightly in the period, and were up in year-on-year terms at the end of the period. The increase is due to increased store inventories and goods in transit.



DEPARTMENTS & STORES

Departments & Stores offer paying customers an international product mix and world-class service in an inspiring environment

THIRD QUARTER, MARCH 1, 2018 – MAY 31, 2018

Net sales in the Departments & Stores business area were SEK 204 M (211), a decrease of 3.1 percent. Visitors to RNB's stores in the two department stores were down in year-on-year terms. Average spend per customer increased, and discounting increased slightly, although this did not offset the reduced customer numbers.

Gross margin decreased compared to the corresponding quarter of the previous year. Operating expenses were down year-on-year, despite normal increases in rent and salary costs.

Operating income amounted to SEK 4 M (5), with operating margin of 2.1 percent (2.1).

Business area inventories decreased in the quarter, but were up slightly at the end of the quarter in year-on-year terms.

THE PERIOD, SEPTEMBER 1, 2017 – MAY 31, 2018

Net sales in the Departments & Stores business area totaled SEK 693 M (723), a decrease of 4.2 percent. The number of visitors in RNB's stores in the two department stores in Stockholm and Gothenburg were down in year-on-year terms. Competition for a high share of the premium range has accelerated, as these brands are now also distributed on broad-based e-commerce platforms.

Average spend per customer increased, and discounting decreased in the period, although this did not offset reduced customer numbers.

Gross margin decreased slightly year-on-year. Operating expenses were down on the previous year despite normal increases in rent and salary costs.

Operating income amounted to SEK 26 M (33), with operating margin of 3.7 percent (4.6).

Business area inventories increased in the period, and was up at the end of the period in year-on-year terms.



Man of a kind

Man of a kind is the new online destination for exclusive men's fashion. Man of a kind was launched in fall 2016 and offers a carefully selected premium clothing range and world-class service in an inspiring environment.

THIRD QUARTER, MARCH 1, 2018 – MAY 31, 2018

Net sales in the Man of a kind business area totaled SEK 3 M (0). Visitor numbers increased significantly, and the conversion rate and average spend were up year-on-year. Gross margin increased year-on-year. Operating expenses were up on last year.

Operating income amounted to SEK -3 M (-4).

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

In the quarter, Man of a kind upgraded the shopping experience by adding services such as free home delivery including evenings, fashion tailor services and dry cleaning with home delivery for its customers.

THE PERIOD, SEPTEMBER 1, 2017 – MAY 31, 2018

Net sales in the Man of a kind business area were SEK 8 M (1). Visitor numbers increased significantly, and the conversion rate and average spend were up year-on-year. Gross margin increased year-on-year. Operating expenses were up on last year. Operating income amounted to SEK -10 M (-10).

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

In the period, Man of a kind acquired Frontmen.com which has now been integrated in Man of a kind. After the acquisition, digital competences were also enhanced by the recruitment of fashion and e-commerce profile Oscar Arrsjö. The clothing range continued to expand in the period, adding strong brands like Helmut Lang, Parajumpers and RM Williams, and Italian brands such as Boglioli and Luigi Bianchi Mantova.



POLARN O. PYRET

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

THRID QUARTER, MARCH 1, 2018 – MAY 31, 2018

Net sales totaled SEK 163 M (143) in the quarter. Sales in comparable proprietary sales units, including e-commerce sales on all national markets, increased by 10.0 percent year-on-year. A majority of the sales growth was derived from e-commerce operations. Rolling 12-month brand sales (total sales to consumers excluding VAT across all markets and distribution channels) were SEK 879 M (852).

Gross margin for the quarter was down year-on-year.

Operating expenses were up year-on-year.

Operating income amounted to SEK -2 M (-5), an improvement of SEK 3 M, corresponding to an operating margin of -1.5 percent (-3.1).

Business area inventories increased in the quarter. The inventory was higher at the end of the quarter in year-on-year terms.

Polarn O. Pyret launched its campaign A new chapter in fall 2017, presenting a long-awaited renewal of the brand and customer offering with a more contemporary context and higher fashion content, and a sharpened sustainability focus. The brand has now taken the next big step by opening an entirely new store concept on March 8, 2018. The store, which is located in the PK building in central Stockholm, is also the brand's flagship store. In the quarter, a further three stores were converted in line with the new concept. Rent contract has been signed for a new store in the Gallerian in Stockholm, which will open in autumn 2018.

Polarn O. Pyret was awarded Loyalty program of the year by the Sweden Retail Awards 2018.

THE PERIOD, SEPTEMBER 1, 2017 – MAY 31, 2018

Net sales totaled SEK 578 M (547) in the period. Sales in comparable proprietary sales units including e-commerce sales on all national markets increased by 4.8 percent year-on-year. The sales increase was derived from e-commerce.

Gross margin for the period was somewhat higher compared to the corresponding period of the previous year.

Operating expenses were up year-on-year.

Operating income amounted to SEK 43 M (32), an improvement of SEK 11 M, corresponding to an operating margin of 7.5 percent (5.9).

Business area inventories increased in the period. The inventory was higher at the end of May in year-on-year terms.



Financial position and liquidity

The Group's total assets amounted to SEK 1,190 M, compared to SEK 1,123 M at the beginning of the financial year. At the end of the period, equity was SEK 402 M (357) against SEK 340 M at the beginning of the financial year, providing an equity/assets ratio of 33.8 percent (31.8), against 30.3 percent at the beginning of the financial year.

As of May 31, inventories totaled SEK 453 M (401), against SEK 428 M at the beginning of the financial year.

Cash flow from changes in working capital was negative at SEK -21 M (-14), mainly due to changes in inventories. Cash flow from operating activities decreased to SEK 50 M (75) in the period. After investments, cash flow was SEK 0 M (47).

Net debt increased to SEK 375 M, against SEK 363 M at the end of the previous financial year. The Group's cash and cash equivalents including unutilized overdraft facilities were SEK 122 M (162) at the end of the period, against SEK 136 M at the beginning of the financial year.

In the second quarter, the Group issued a senior secured bond of SEK 400 M. The bond loan is subject to variable Interest of Stibor 3m + 600 basis points and has a maturity date of February 2, 2021. The bond loan has a framework amount of SEK 600 M. The bond was listed on Nasdaq Stockholm on March 28, 2018.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

Investments during the period, excluding investment in subsidiaries, totaled SEK 44 M (21). Depreciation/amortization totaled SEK -31 M (-36).

EMPLOYEES

The average number of employees in the period was 982 (992).

RELATED-PARTY TRANSACTIONS

No transactions were conducted between the RNB Group and related parties which materially impacted the Group's financial position and profit/loss. In the second quarter, the company repaid loans totaling SEK 380 M to Konsumentföreningen Stockholm. For more information, see Note 32 of the Annual Report 2016/2017.

TAX

During the period, the Group paid tax totaling SEK 0 M (0). As the company has non-capitalized loss carry forwards of SEK 691 M at the beginning of the financial year, the tax expenses are expected to remain low. For more information, see Note 9 of the Annual Report 2016/2017.

PARENT COMPANY

Parent Company net sales were SEK 69 M (81). Profit after net financial items was SEK -27 M (-29). Investments were SEK 18 M (10).

SEASONAL VARIATIONS

Retail sales are affected by seasonal variations, with the highest sales generated during the fall and winter. Gross margin is affected by clearance sales periods. 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 the highest share of earnings, and has increased in recent years. 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 risk is attributable to goods purchased in foreign currency.
- Interest-rate exposure associated with the Group's net debt.

Operational risks

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

For a more detailed description of the Group's management of financial risks, see Note 33 of the 2016/2017 Annual Report.

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, June 27, 2018

The Board of Directors and Chief Executive Officer of
RNB RETAIL AND BRANDS (publ), corporate ID no. 556495-4682

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

Auditor's review

RNB RETAIL AND BRANDS AB (PUBL), CORP. ID NO. 556495-4682

INTRODUCTION

We have performed an auditor's review of the financial information contained in this Interim Report for RNB RETAIL AND BRANDS AB (publ) as of May 31, 2018 and the nine-month period ended on this date. The Board of Directors and Chief Executive Officer are responsible for preparing and presenting this Interim Report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express our opinion on the basis of our Auditor's Review.

SCOPE AND FOCUS OF THE AUDITOR'S REVIEW

We have conducted our Auditor's Review in accordance with the International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The Auditor's Review includes making inquiries, mainly to persons responsible for financial and accounting matters, to analyze the information and to complete other audit review measures. The Auditor's Review has a different focus and a significantly reduced scope compared to the scope and focus of an audit in accordance with International Standards on Auditing and generally accepted accounting practice.

The measures completed in connection with the Auditor's Review do not enable us to assess with a degree of assurance that we have become aware of all significant circumstances that could have been identified in a full audit. Accordingly, the opinions stated on the basis of an Auditor's Review do not have the same degree of assurance as stated opinions on the basis of a full audit.

CONCLUSION

On the basis of our Auditor's Review, no circumstances have come to our attention that would give us cause to consider that the Interim Report has not, in essence, been prepared in accordance with IAS 34 and the Annual Accounts Act, and for the parent company, in accordance with the Annual Accounts Act.

Stockholm, Sweden
June 27, 2018
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

Consolidated Income Statement

SEK M	3 months		6 months		12 months	
	Mar 2018 –May 2018	Mar 2017 –May 2017	Sep 2017 –May 2018	Sep 2016 –May 2017	Jun 2017 –May 2018	Sep 2016 –Aug 2017
Net sales	509.5	490.4	1,677.7	1,662.4	2,231.7	2,216.4
Goods for resale	-243.1	-226.9	-821.0	-806.1	-1,111.6	-1,096.7
Gross income	266.4	263.5	856.7	856.3	1,120.1	1,119.7
Other operating income	9.3	8.1	27.3	22.2	40.4	35.3
Other external expenses	-123.1	-124.6	-383.8	-370.7	-512.7	-499.6
Personnel expenses	-137.0	-133.6	-419.5	-413.2	-551.7	-545.4
Depreciation and impairment of non-current assets	-10.0	-11.7	-30.8	-36.0	-42.2	-47.4
Operating income	5.6	1.7	49.9	58.6	53.9	62.6
Financial income	1.2	0.8	2.5	2.8	2.2	2.5
Financial expenses	-9.4	-3.8	-18.3	-13.0	-23.5	-18.2
Unrealized profit/loss on futures contracts	5.8	-9.1	15.3	-3.6	4.7	-14.2
Net financial items	-2.4	-12.1	-0.5	-13.8	-16.6	-29.9
Profit before tax from continuing operations	3.2	-10.4	49.4	44.8	37.3	32.7
Tax on net income for the period	-0.2	-1.6	-0.2	-1.6	-0.9	-2.3
Net income for the period	3.0	-12.0	49.2	43.2	36.4	30.4
Other comprehensive income						
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>						
Cash flow hedges – value changes	7.7	0.0	25.6	0.0	20.0	-5.6
Cash flow hedges recognised in income	3.9	0.0	0.0	0.0	0.0	0.0
Translation differences	-0.3	-0.1	-2.8	-1.3	-1.3	0.2
Tax attributable to items in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the period	14.3	-12.1	72.0	41.9	55.1	25.0
Net income for the period attributable to:						
Parent Company's shareholders	3.0	-12.0	49.2	43.2	36.4	30.4
	3.0	-12.0	49.2	43.2	36.4	30.4
Comprehensive income attributable to:						
Parent Company's shareholders	14.3	-12.1	72.0	41.9	55.1	25.0
	14.3	-12.1	72.0	41.9	55.1	25.0
Earnings per share before and after dilution (SEK)	0.09	-0.35	1.45	1.27	1.07	0.90
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	
	Mar 2018 –May 2018	Mar 2017 –May 2017	Sep 2017 –May 2018	Sep 2016 –May 2017	Jun 2017 –May 2018	Sep 2016 –Aug 2017
Operating activities						
Operating income	5.6	1.7	49.9	58.6	53.9	62.6
Interest received and other financial income	1.2	0.8	2.5	2.8	2.2	2.5
Interest paid	-5.4	0.1	-12.6	-9.2	-21.6	-18.2
Adjustment for non-cash items	10.0	11.6	31.0	36.7	42.4	48.1
Tax paid	0.0	-0.9	0.0	-0.9	0.0	-0.9
Cash flow before change in working capital	11.4	13.3	70.8	88.0	76.9	94.1
Cash flow from change in working capital						
Change in inventories	-20.5	-16.7	-23.9	3.5	-51.5	-24.1
Decrease (+)/increase (-) in current receivables	1.1	4.9	-1.6	0.6	-16.3	-14.1
Decrease (-)/increase (+) in current liabilities	11.0	9.7	4.2	-17.7	17.0	-4.9
Change in working capital	-8.4	-2.1	-21.3	-13.6	-50.8	-43.1
Cash flow from operating activities	3.0	11.2	49.5	74.5	26.1	51.0
Cash flow from investing activities	-21.1	-10.2	-49.2	-27.7	-45.6	-24.1
Cash flow after investments	-18.1	1.0	0.3	46.8	-19.5	26.9
Financing activities						
Change in liabilities to financial institutions	-0.1	-0.2	-0.1	-0.5	-0.4	-0.8
Issue of Corporate bond	-0.3	0.0	394.8	0.0	394.8	0.0
Amortization of loan	0.0	0.0	-380.0	0.0	-385.0	-5.0
Paid dividend	0.0	0.0	-10.2	-8.5	-10.2	-8.5
Cash flow from financing activities	-0.4	-0.2	4.5	-9.0	-0.8	-14.3
Cash flow during the period	-18.5	0.9	4.8	37.7	-20.3	12.6
Cash and cash equivalents at beginning of period	59.5	61.3	36.4	24.2	62.0	24.2
Exchange difference in cash and cash equivalents	0.7	-0.1	0.5	0.1	0.0	-0.4
Cash and cash equivalents at end of period	41.7	62.0	41.7	62.0	41.7	36.4

Consolidated Balance Sheet, in summary

SEK M	May 31, 2018	May 31, 2017	Aug 31, 2017
Assets			
Intangible assets	441.3	429.8	429.4
Tangible assets	73.6	72.5	70.6
Financial assets	13.4	21.2	9.5
Total non-current assets	528.3	523.5	509.5
Inventories	452.8	400.5	427.7
Current receivables	166.7	136.4	149.3
Cash	41.7	62.0	36.4
Total current assets	661.2	598.9	613.4
Total assets	1,189.5	1,122.4	1,122.9
Shareholders' equity and liabilities			
Equity attributable to the Parent Company shareholders	401.8	356.9	340.0
Total equity	401.8	356.9	340.0
Non-current liabilities	416.9	19.2	399.0
Current liabilities	370.8	746.3	383.9
Total liabilities	787.7	765.5	782.9
Total equity and liabilities	1,189.5	1,122.4	1,122.9

Changes in shareholders' equity, in summary

SEK M	Sep 2017 –May 2018	Sep 2016 –May 2017	Sep 2016 –Aug 2017
Opening balance	340.0	323.5	323.5
Net income for the period	49.2	43.2	30.4
Other comprehensive income			
Changes to cash flow hedges	25.6	-	-5.6
Cash flow hedges recognised in income	0.0	-	-
Translation differences	-2.8	-1.3	0.2
Total comprehensive income for the year	72.0	41.9	25.0
Paid dividend	-10.2	-8.5	-8.5
Balance at end of period	401.8	356.9	340.0

Key ratios

SEK M	Sep 2017 –May 2018	Sep 2016 –May 2017	Jun 2017 –May 2018	Sep 2016 –Aug 2017
Gross margin, %	51.1	51.5	50.2	50.5
Operating margin, %	3.0	3.5	2.4	2.8
Equity/assets ratio, %	33.8	31.8	33.8	30.3
Interest coverage ratio, x	3.7	3.7	2.6	2.0
Ratio of net debt and operating income before depreciation/amortization	4.6	3.6	3.9	3.3
Net debt, MSEK	375.2	342.6	375.2	362.7
Net debt/equity ratio, %	93.4	96.0	93.4	106.7
Return on equity, %	13.3	12.7	9.6	9.2
Return on capital employed, %	8.7	8.3	7.7	8.9
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	1.45	1.27	1.07	0.90
Equity per share at end of period, SEK	11.85	10.52	11.85	10.03
Average number of employees, full time	982	992	1 018	1 028

Shareholders

Largest shareholders as of May 31, 2018

	Number of shares	Share capital/ Votes, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	4,000,000	11.8
Catella Fondförvaltning	2,127,906	6.3
Avanza Pension Försäkringsaktiebolaget	2,109,654	6.2
Hawk Invest AS	986,249	2.9
Hans Björstrand	976,000	2.9
Nordnet pensionsförsäkring AB	877,500	2.6
Johan Fahlin	335,503	1.0
Skandia Leben	320,000	0.9
Skandinaviska Enskilda Banken S.A.	251,085	0.7
Total 10 largest shareholders	23,230,495	68.5
Other	10,681,681	31.5
Total	33,912,176	100.0

Source: Euroclear Sweden AB

Income Statement per quarter, Group

SEK M	Q3		Q2		Q1		Q4	
	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017	2016/ 2017	2015/ 2016
Net sales	509,5	490,4	587,2	588,8	580,9	583,2	554,0	554,2
Goods for resale	-243,1	-226,9	-312,1	-315,8	-265,8	-263,4	-290,6	-286,9
Gross income	266,4	263,5	275,1	273,0	315,1	319,8	263,4	267,3
Other operating income	9,3	8,1	9,4	8,6	8,7	5,5	13,1	5,3
Other external expenses	-123,1	-124,6	-128,0	-117,4	-132,7	-128,7	-128,9	-119,9
Personnel expenses	-137,0	-133,6	-141,9	-141,5	-140,6	-138,1	-132,2	-130,1
Depreciation and impairment of non-current assets	-10,0	-11,7	-10,3	-12,1	-10,5	-12,2	-11,4	-16,6
Operating income	5,6	1,7	4,3	10,6	40,0	46,3	4,0	6,0
Financial income	1,2	0,8	-0,7	-0,2	2,0	2,2	-0,3	0,9
Financial expenses	-9,4	-3,8	-3,0	-4,5	-5,9	-4,7	-5,2	-3,9
Unrealized profit/loss on futures contracts	5,8	-9,1	0,2	-9,6	9,3	15,1	-10,6	7,4
Net financial items	-2,4	-12,1	-3,5	-14,3	5,4	12,6	-16,1	4,4
Profit before tax from continuing operations	3,2	-10,4	0,8	-3,7	45,4	58,9	-12,1	10,4
Tax on net income for the quarter	-0,2	-1,6	0,0	1,0	0,0	-1,0	-0,7	0,0
Net income for the quarter	3,0	-12,0	0,8	-2,7	45,4	57,9	-12,8	10,4
Other comprehensive income								
Other comprehensive income, to be reclassified to net income in subsequent quarters								
Cash flow hedges – value changes	7,7	-	4,2	-	13,7	-	-5,6	-
Cash flow hedges recognised in income	3,9	-	-0,3	0,0	-3,6	-	0,0	-
Translation differences	-0,3	-0,1	-1,5	0,1	-1,0	-1,3	1,5	0,6
Tax attributable to items in other comprehensive income	0,0	0,0	0,0	-	-	-	-	-
Comprehensive income for the quarter	14,3	-12,1	3,2	-2,6	54,5	56,6	-16,9	11,0

Key ratios per quarter

SEK M	Q3		Q2		Q1		Q4	
	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017	2016/ 2017	2015/ 2016
Gross margin, %	52,3	53,7	46,8	46,4	54,2	54,8	47,5	48,2
Operating margin, %	1,1	0,3	0,7	1,8	6,9	7,9	0,7	1,1
Return on equity, %	0,8	-3,3	0,2	-0,7	12,4	16,5	-3,7	3,2
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	0,09	-0,35	0,02	-0,08	1,34	1,71	-0,38	0,31
Equity per share at end of quarter, SEK	11,85	10,52	11,43	10,88	11,63	11,21	10,03	9,54
Total equity	401,8	356,9	387,5	369,0	394,5	380,1	340,0	323,5
Cash flow per share from operating activities	0,1	0,3	-0,5	0,8	1,8	1,1	-0,7	0,5
Cash flow from operating activities	3,0	11,2	-15,9	25,7	62,4	37,6	-23,6	17,8
Share price at end of quarter, SEK	7,3	12,8	8,8	18,6	11,3	10,9	12,6	11,6

Income Statement, Parent Company

SEK M	3 months		9 months		12 months	
	Mar 2018 –May 2018	Mar 2017 –May 2017	Sep 2017 –May 2018	Sep 2016 –May 2017	Jun 2017 –May 2018	Sep 2016 –Aug 2017
Net sales	23.0	29.5	68.9	81.0	97.7	109.8
Other operating income	1.8	0.0	4.7	4.9	2.4	2.6
	24.8	29.5	73.6	85.9	100.1	112.4
Operating expenses						
Other external expenses	-16.3	-16.3	-53.0	-46.9	-68.8	-62.7
Personnel expenses	-12.8	-15.3	-39.5	-49.1	-56.0	-65.6
Depreciation and impairment of non-current assets	-2.8	-2.7	-8.7	-8.4	-11.4	-11.1
Operating income	-7.1	-4.8	-27.6	-18.5	-36.1	-27.0
Result from participations in group companies	0.0	0.0	0.0	0.0	73.2	73.2
Financial income	7.2	1.2	16.5	1.2	16.0	0.7
Financial expenses	-6.9	-4.4	-15.3	-12.1	-29.8	-26.6
Result after financial items	-6.8	-8.0	-26.4	-29.4	23.3	20.3
Taxes	-	-	-	-	-	-
Net income for the period	-6.8	-8.0	-26.4	-29.4	23.3	20.3

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

Balance Sheet, Parent Company, in summary

SEK M	May 31, 2018	May 31, 2017	Aug 31, 2017
Assets			
Intangible assets	33.9	24.1	24.3
Property, plant and equipment	4.1	5.1	4.7
Financial assets	566.9	576.7	566.7
Deferred tax assets	93.9	78.0	95.2
Other current assets	35.1	50.7	25.9
Total assets	733.9	734.6	716.8
Shareholders' equity and liabilities			
Equity	231.9	218.8	268.5
Non-current liabilities	394.8	0.0	380.0
Current liabilities	107.2	515.8	68.3
Total equity and liabilities	733.9	734.6	716.8

Reconciliation of key ratios

Mkr	9 months		12 months	
	Sep 2017 –May 2018	Sep 2016 –May 2017	Jun 2017 –May 2018	Sep 2016 –Aug 2017
Net sales	1,677.7	1,662.4	2,231.7	2,216.4
Goods for resale	-821.0	-806.1	-1,111.6	-1,096.7
Gross profit	856.7	856.3	1,120.1	1,119.7
Other operating income	27.3	22.2	40.4	35.3
Other external expenses	-383.8	-370.7	-512.7	-499.6
Personnel expenses	-419.5	-413.2	-551.7	-545.4
Depreciation and impairment of non-current assets	-30.8	-36.0	-42.2	-47.4
Operating income (EBIT)	49.9	58.6	53.9	62.6
Interest income and similar profit/loss items	2.5	2.8	2.2	2.5
Interest expenses and similar profit/loss items	-18.3	-13.0	-23.5	-18.2
Unrealized profit/loss on futures contracts	15.3	-3.6	4.7	-14.2
Net financial items	-0.5	-13.8	-16.6	-29.9
Profit/loss after financial items	49.4	44.8	37.3	32.7
Adjustments:				
Tax on net profit/loss for the period	-0.2	-1.6	-0.9	-2.3
Net income for the period	49.2	43.2	36.4	30.4
Operating income	49.9	58.6	53.9	62.6
Depreciation and impairment of non-current assets	30.8	36.0	42.2	47.4
Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)	80.7	94.6	96.1	110.0
Loans	0.0	0.0	0.0	380.0
Contingent consideration	22.1	19.1	22.1	19.0
Other non-current interest-bearing liabilities	394.8	0.1	394.8	0.0
Non-current liabilities	416.9	19.2	416.9	399.0
Loans	0.0	0.0	0.0	380.0
Contingent consideration	22.1	19.1	22.1	19.0
Other non-current interest-bearing liabilities	394.8	0.1	394.8	0.0
Other current interest-bearing liabilities	0.0	385.4	0.0	0.1
Cash and cash equivalents	-41.7	-62.0	-41.7	-36.4
Net debt	375.2	342.6	375.2	362.7
Equity, opening balance	340.0	323.5	356.9	323.5
Equity, closing balance	401.8	356.9	401.8	340.0
Average equity	370.9	340.2	379.4	331.8
Total assets	1,189.5	1,122.4	1,189.5	1,122.9
Trade payables	-161.4	-149.5	-161.4	-176.4
Other current liabilities	-209.4	-211.8	-209.4	-207.4
Capital employed	818.7	761.1	818.7	739.1
Net income for the period	49.2	43.2	36.4	30.4
Average equity	370.9	340.2	379.4	331.8
Return on equity, %	13.3	12.7	9.6	9.2
Capital employed, opening balance	739.1	726.6	761.1	726.6
Capital employed, closing balance	818.7	761.1	818.7	739.1
Average capital employed	778.9	743.9	789.9	732.9
Interest expenses and similar profit/loss items	-18.3	-13.0	-23.5	-18.2
Unrealized expense on futures contracts	0.0	-3.6	0.0	-14.2
Profit before tax from continuing operations	49.4	44.8	37.3	32.7
Average capital employed	778.9	743.9	789.9	732.9
Return on capital employed, %	8.7	8.3	7.7	8.9
Operating income	49.9	58.6	53.9	62.6
Interest income and similar profit/loss items	2.5	2.8	2.2	2.5
Unrealized income on futures contracts	15.3	0.0	4.7	0.0
Profit/loss after financial income	67.7	61.4	60.8	65.1

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, as measured in comparable units and in current prices. Presented by Svensk Handel Stil. HUI Research is responsible for data collection and processing.

Notes

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 2016/2017.

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

From the fourth quarter 2016/2017, hedge accounting has been applied where there is an effective link between hedged future cash flows and financial derivatives. This implies that value changes in currency derivatives where there is an effective link are presented under Other comprehensive income, in the line Cash flow hedges—value change, instead of being included under Financial items in the Income Statement. The change is forward-looking and has not been adjusted retroactively, as the measurement of hedge effectiveness was not initiated until the fourth quarter.

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.

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

IFRS 9 Financial Instruments, applies to financial years starting January 1, 2018, which for RNB Retail and Brands means the financial year 2018/2019. The preliminary assessment is that the standard will have an impact on the Financial Statements, mainly requirements pertaining to the information provided in Notes.

IFRS 15 Revenue from Customer Contracts, applies to financial years starting January 1, 2018, which for RNB Retail and Brands means the financial year 2018/2019. The company's preliminary assessment is that the standard will not imply any significant changes for the Group.

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.

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

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. From the fourth quarter 2016/2017, the reporting applies hedge accounting when there is an effective link between hedged future cash flows 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 23 (-1) M.

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Questions about this report

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