RNB 3

INTERIM REPORT

1 SEPTEMBER 2019 – 31 MAY 2020

RNB RETAIL AND BRANDS

POLARN O. PYRET

DEPARTMENTS & STORES

Man of a kind

BROTHERS

A quarter with significant changes

The quarter was characterized by significantly lower store sales, while e-commerce sales grew. The sector's shift towards online sales accelerated in the quarter. PO.P's e-commerce sales increased by nearly 200 percent, and the fully digital Man of a kind by close to 100 percent. The corporate restructuring led to many difficult and necessary business-critical decisions. Many changes were implemented in a short period of time, with the aim of improving operations.

THIRD QUARTER, MARCH 1, 2020 - MAY 31, 2020 IN SUMMARY

- Net sales decreased to SEK 324 M (511).
- Comparable sales for the Group on all national markets decreased by -32.1, percent.
- Sales for comparable units in Sweden decreased by -32.5 percent, compared to the market downturn of -28.5 percent.
- Operating income was SEK -285 M (-17).
- Operating income, excluding the new reporting standard IFRS 16, was SEK -97 M (-17). Goodwill impairment was SEK -184 M.
- Profit after tax was SEK -318 M (-27).
- Earnings per share was SEK -3.12 (-0.79).
- Cash flow from operating activities was SEK 147 M (18).

THE PERIOD, SEPTEMBER 1, 2019 - MAY 31, 2020 IN SUMMARY

- Net sales decreased to SEK 1,458 M (1,715).
- Comparable sales for the Group on all national markets decreased by -16.5 percent.
- Sales for comparable units in Sweden decreased by -15.8 percent, compared to the market downturn of -9.9 percent.
- Operating income was SEK -325 M (-10).
- Operating income, excluding the new reporting standard IFRS 16, was SEK -144 M (-10). Goodwill impairment was SEK -184 M.
- Profit after tax was SEK -385 M (-36).
- Earnings per share was SEK -4.99 (-1.07).
- Cash flow from operating activities was SEK 235 M (92).
- In the second quarter, a preferential rights issue raised some SEK 84.8 M before issue expenses.

EVENTS IN THE QUARTER

- The corporate restructuring of the subsidiaries Departments & Stores Europe AB, Polarn O. Pyret AB and Brothers AB was approved on 23 March.
- In April, Brothers' operations in Finland, including 12 stores and an online platform, were wound down.
- The preliminary reconstruction plan for the Swedish companies was presented on 29 April. The District Court decided that corporate reconstruction will continue until 23 June 2020.
- Polarn O. Pyret Norge AS entered into corporate reconstruction on 28 May.
- In the quarter, goodwill impairment totaled SEK 184 M, of which SEK 141 M related to Departments & Stores and SEK 43 M to Brothers.

EVENTS AFTER THE END OF THE QUARTER

- The companies undergoing restructuring requested that the reconstruction period, which ended on 23 June, be extended by a further three months. The request is still being considered by the District Court, although there is currently no reason to believe that it will not be approved.
- Proposed arrangements with creditors were presented on 1 July. The proposal involves an initial payment of SEK 10,000 and 25 percent of the remainder to the companies' creditors, implying impairment of 75 percent.
- The Covid-19 pandemic continued to negatively affect sales in June, with comparable sales down by -39 percent and store sales by -45 percent. E-commerce sales increased by 1 percent.
- Sales and profit in the final quarter will be negatively affected by the pandemic, although it is currently hard to gage the extent of the impact because of the volatile situation.

Comments from the CEO

The third quarter was the most turbulent quarter in the company's history, and for the fashion industry as a whole, because of the enormous impact of Covid-19.

At the beginning of March, many of our in-store customers disappeared over night, and with them our store sales. The impact of Covid-19, coupled with already declining sales in the year, led us to apply for corporate reconstruction of the Swedish subsidiaries at the end of March.

Corporate restructuring is demanding at the best of times, but to carry it out during the Covid-19 pandemic made it even more challenging. The aim of the restructuring is to ensure that operations are in better shape and more well-equipped to face the future this fall. I want to extend my heartfelt thanks to all our employees who have worked very hard on this in the quarter.

All areas of operations have been reviewed and streamlined to fit into our future operations. This has meant that headcount has been reduced in our stores and at head office.

We closed 30 stores in the quarter, of which 18 in Sweden. Some of the Swedish stores were already unprofitable, and the remainder were those that we anticipated would become unprofitable in future given renegotiated rent levels. We closed 12 stores in Finland. Looking ahead, we will be closing 10 stores in Norway, and a further 4 were closed in Sweden in June.

Inventories are at their lowest level for six years as a result of rapid adjustments to purchasing. Expenses decreased by a quarter year-on-year.

BROTHERS

Comparable sales for Brothers decreased by 49 percent in the quarter. Significantly lower sales of tailored suits as a result of canceled parties, weddings and student proms contributed significantly to the decline. Brothers' updated new clothing range was not able to show its colors in the quarter.

The number of e-commerce customers increased significantly, which will benefit Brothers in the longer term, as that is the area of primary growth potential.

The restructuring measures, which are intended to improve Brothers' profitability looking ahead, led to the closure of five unprofitable stores in Sweden. The Finnish operations, which have suffered from profitability problems for some time, were also wound down, with 12 store closures. Brothers reduced headcount, both in-store and at head office, which generated significantly lower personnel costs looking ahead.

Brothers also scaled back purchasing ahead of the coming seasons, partly in response to lower expected sales, but also to decrease capital tied up in inventories. Brothers negotiated discounts on purchasing for the coming seasons, and reviewed and decreased essentially all other costs.

DEPARTMENTS & STORES

Comparable sales for Departments & Stores decreased by 54 percent in the quarter, with the Stockholm department store suffering the heaviest sales losses. The sales decrease was due to the lack of footfall in central Stockholm during the spring. Foreign tourists, which started to tail off in February, almost disappeared entirely during the spring, and the absence of these customers contributed to the slump in sales.
To bring Departments & Stores through the restructuring phase and simultaneously address the financial consequences of Covid-19, the segment acted decisively by minimizing headcount, implementing cost savings in the department stores, and through short-term sales campaigns.

Savings implemented in the quarter include measures relating to personnel, logistics, purchasing, rents and investments.

The company has also improved long-term profitability through streamlined goods flows and decreased capital tied up. Reviewing rental contracts remains a key focus area, and discounts have been obtained for April-June.

MAN OF A KIND

Man of a kind's sales continued to increase in the quarter. Sales were up 95 percent year-on-year In the third quarter due to the rapid shift to e-commerce between mid-March and the end of April. Man of a kind has successfully captured demand for men's fashion in the premium and luxury segment.

With an increased focus on liquidity in the quarter, Man of a kind departed from its full price strategy and implemented substantial sales campaigns. This had a negative effect on gross margin.

POLARN O. PYRET

Sales in the third quarter were up by 4 percent for comparable stores and e-commerce. March was extremely tough, followed by two positive sales months as a result of the increased focus on e-commerce. The stores in Norway and parts of Finland were closed for several weeks. In such a turbulent quarter, sales growth is a real sign of strength.

Stores sales halved while e-commerce grew by 187 percent. PO.P's e-commerce sales in the quarter was 58 percent.

The corporate restructuring has allowed PO.P to implement fundamental changes in the business, including significant cost reductions in store rents and personnel costs, changes that it would otherwise have been impossible to carry out in such a short period of time. A total of 13 stores were closed in the quarter. The company has also taken the opportunity to review and change purchasing volumes and sales channels. As part of this process, the Norwegian operations have also been in corporate reconstruction since the end of May.

OUTLOOK

We have requested an extension of the corporate restructuring process, and have presented the proposed arrangements with creditors with the aim of concluding restructuring this fall.

The restructuring has provided us with the opportunity to review all areas of operations, and the measures implemented mean that we are confident that the improved business areas will achieve profitability in the future.

Kristian Lustin
President and CEO

Covid-19 and corporate restructuring

COVID-19

The company was initially only marginally affected by Covid-19, after large parts of China were shut down and placed in quarantine. In January, the subsidiaries started to plan for certain deliveries not being shipped in time. As the virus spread around the world and the effects became more well known, the subsidiaries implemented a range of measures to protect the health of their employees, customers and partners, while simultaneously ensuring their survival.

At an early stage, RNB made the decision to apply for corporate reconstruction of its three Swedish subsidiaries Departments & Stores Europe AB, Polarn O. Pyret AB and Brothers AB, as it was clear that the impact of Covid-19 on already shrinking store sales would be significant.

SALES AND PROFIT

The company's sales and profit have been negatively affected by Covid-19. It is difficult to gage the precise impact, although sales for comparable physical stores decreased by more than 50 percent in the third quarter. In the same period, comparable e-commerce sales increased by more than 130 percent, albeit from lower levels. This realignment means that the subsidiaries now focus more sharply on e-commerce than ever. Covid-19 will continue to affect sales and profit negatively, although it is difficult to estimate the extent of the impact.

PRODUCTION AND DELIVERY

The subsidiaries have not had any indication that goods will not be produced or delivered on time. This is being monitored closely. Nor have the companies had any indication that deliveries from external brands will not be received on time.

CORPORATE RECONSTRUCTION

On 23 March, the Stockholm District Court approved an application for corporate reconstruction and decided that the subsidiaries Departments & Stores Europe AB, Polarn O. Pyret AB and Brothers AB would enter into reconstruction.

The reconstruction process has now been underway for just over three months, and the companies have been forced to make many difficult business-critical decisions in the period. All rents for the stores in Sweden have been renegotiated or are in the process of being renegotiated. Unprofitable stores and stores that are in the risk zone for becoming unprofitable have been closed (see Note 3). A total of 30 stores were closed in the third quarter, of which Polarn O. Pyret closed 13, Brothers five in Sweden and all 12 stores in Finland. In Norway, ten store closures are planned, and a further four were closed in Sweden in June.

The subsidiaries have announced redundancies and all employment contracts for store staff have been renegotiated. Negotiations with employees and trade unions have gone smoothly, and the companies have been able to ensure more efficient in-store staffing levels. The companies have employed the government guarantee scheme for staff salaries (see Note 1 Accounting Principles). Covid-19-specific subsidies such as short-term furlough schemes are not applicable to companies in corporate reconstruction. In addition to the savings and cash flow improvements the measures imply for the main two fixed cost Items, the companies have also reviewed all other costs.

The companies have requested an extension of the reconstruction period, which ended on 23 June, by a further three months. The request for an extension of restructuring is currently being reviewed by the District Court, and there is no reason to believe that it won't be granted..

The proposed arrangements with creditors were presented on 1 July.

The proposed debt restructuring generates several advantages for the subsidiaries' guarantors compared to liquidation.

CONTACT

CEO 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 Kristian Lustin, President and CEO, and Richard Roa, Group Business Controller. The presentation will be held on July 8 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)

+44 333 300 92 72 (UK)

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

FINANCIAL CALENDAR

Interim Report, fourth quarter 2019/2020	October 8, 2020
AGM 2019/2020	December 22, 2020
Interim Report, first quarter 2020/2021	December 22, 2020

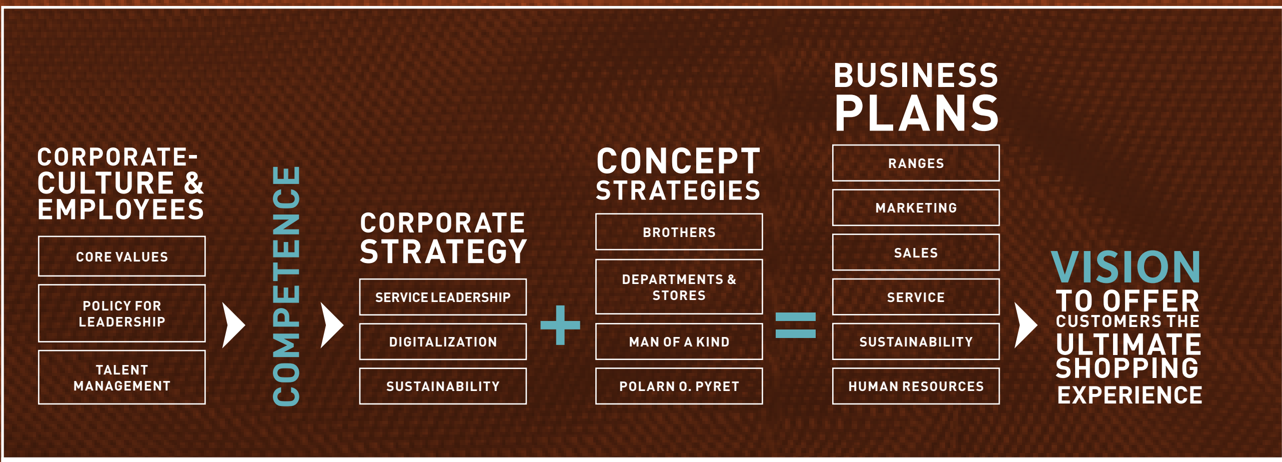
RNB RETAIL AND BRANDS

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 around 210 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

THIRD QUARTER, MARCH 1, 2020 - MAY 31, 2020

Reported net sales for the Group were SEK 324 M (511) in the third quarter. Man of a Kind increased net sales by 94.4 percent in the quarter. Polarn O. Pyret increased comparable sales by 3.7 percent in the quarter. Total Group sales for comparable units in Sweden were -32.5 percent compared to -0.4 in the previous year, and sales decreased by -32.1 percent (-1.1) for all national markets, expressed in SEK.

Gross margin for the Group decreased to 42.6 percent (52.2) in the quarter. Gross margin decreased for all business areas due to intensive sales campaigns and increased discounting compared to the previous year.

Total costs decreased significantly in the quarter in year-on-year terms due to substantial cost cuts. Depreciation/ amortization in the quarter totaled SEK -54 M (-10), of which SEK -45 M related to IFRS 16. During the quarter, restructuring costs totaled SEK 0 M (7). Goodwill impairment totaled SEK -184 M, of which SEK 141 M related to Departments & Stores and SEK 43 M to Brothers.

Operating income was SEK -285 M (-17). IFRS 16 impacted operating income negatively by SEK -3 M, corresponding to operating income excluding IFRS 16 of SEK -282 M (-17).

Net financial items totaled SEK -34 M (-8), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK 0 M (0) and IFRS 16 with SEK -25 M (0). Profit after tax amounted to SEK -318 M (-27).

Market progress in the quarter

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -28.5 (-4.8) percent in the quarter. Sales in Finland of men's, women's and children's clothing decreased by -48.3 percent (-3.8).

SEPTEMBER 1, 2019 - MAY 31, 2020

Reported net sales for the Group were SEK 1,458 M (1,715) in the first nine months. Man of a Kind increased net sales by 39.0 percent in the period. For comparable units in Sweden, sales were -15.8 percent compared to 1.3 percent in the previous year, and sales decreased by -16.5 percent (+1.3) for all national markets, expressed in SEK.

Gross margin for the Group decreased to 47.0 percent (50.7) in the period. Margins decreased in all four business areas, due to more campaigns and increased discounting, and all business areas bar Man of a Kind reported lower sales volumes in the period.

Total costs, including restructuring costs, decreased in the period in year-on-year terms due to significant cost reductions. Depreciation/ amortization in the period totaled SEK -210 M (-36).

During the period, restructuring costs totaled SEK 12 M (23), reported under "Group wide and eliminations". Costs are reported under Other external expenses and personnel expenses.

Operating income, excluding restructuring costs and the new reporting standard IFRS 16, amounted to SEK - 316 M (14).

Operating income was SEK -325 M (-10). IFRS 16 had a positive impact on operating income of SEK 3 M, corresponding to operating income excluding IFRS 16 of SEK - 328 M (-10). Goodwill impairment amounted to SEK -184 M in the period.

Net financial items totaled SEK -61 M (-27), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK 0 M (-3) and IFRS 16 by SEK -39 M (0). Profit after tax amounted to SEK -385 M (-36).

Market progress in the period

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -9.9 percent (-3.4) in the period. Sales in Finland of men's, women's and children's clothing decreased by -17.4 percent (-3.6).

IFRS 16 and goodwill

In order to enable comparison of the 2019/2020 financial year results with previous years, some financial ratios have been stated excluding IFRS 16 and impairment of goodwill.

Assessment of continued operations

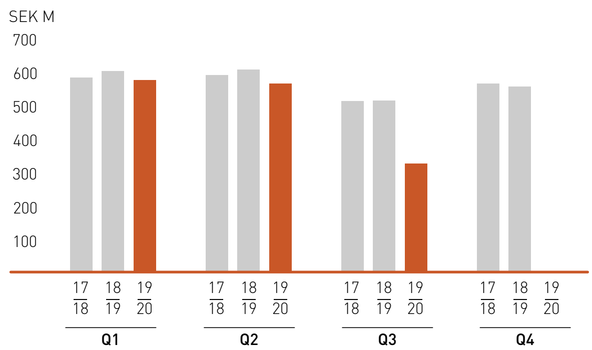
The Board and CEO continuously monitor Group liquidity and financial resources in the short and long term. This quarterly report has been prepared on the basis of the assumption that the company has the ability to continue operations for the coming 12-month period, on a going concern basis. This assumption is based on RNB Retail and Brands AB and it subsidiaries having implemented forceful measures to strengthen the financial position in the quarter. The subsidiaries entered into corporate reconstruction on 23 March 2020. All indications suggest that the reconstruction will be completed through arrangements with creditors that gain legal force in October 2020, i.e. in the first quarter of the next financial year. These arrangements confer benefits that strengthen the company's financial position. Due to the significant effect of Covid-19 on clothing sales in the quarter, this has led to decreased sales revenues. This means that the Group remains dependent on external loan financing from banks. The Group's bank extended the credit limit of SEK 110 M for the period 1 July - 30 September 2020. The Group's liquidity forecast assumes that the current credit limit from the bank remains unchanged.

Accordingly, in the Board's and CEO's assessment, provided that the proposed restructuring gains legal force, and that the changes implemented generate cash flow as planned, and that the bank credit limit remains unchanged, the Group is expected to have sufficient liquidity and cash flow for continued operations in the coming 12-month period.

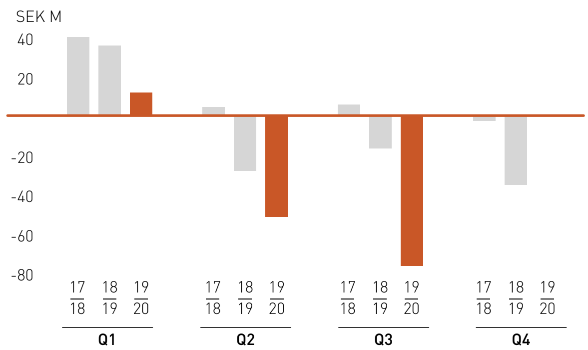
Should the above conditions not be satisfied, there is a significant risk to the Group's continued operations.

Group overview	3 months		9 months		12 months	Full Year
	Mar 2020 –May 2020	Mar 2019 –May 2019	**Sep 2019 –May 2020**	Sep 2018 –May 2019	**Jun 2019 –May 2020**	Sep 2018 –Aug 2019
Net sales, SEK M	324	511	1,458	1,715	2,010	2,267
Gross margin,(%)	42.6	52.2	47.0	50.7	46.2	49.1
Operating income ,SEK M	-285	-17	-325	-10	-425	-110
Operating income excl. IFRS 16 and depreciation of goodwill, SEK M	-97	-17	-144	-10	-180	-45
Profit after tax, SEK M	-318	-27	-385	-36	-491	-142
Operating margin (%)	-87.8	-3.3	-22.3	-0.6	-21.2	-4.9
Operating income excl. IFRS 16 and depreciation of goodwill (%)	-30.1	-3.3	-9.9	-0.6	-8.9	-2.0
Earnings per share, SEK	-3.12	-0.79	-4.99	-1.07	-7.40	-4.20
Cash flow from operating activities, SEK M	147	18	235	92	192	50
Number of sales points	214	252	214	252	214	247

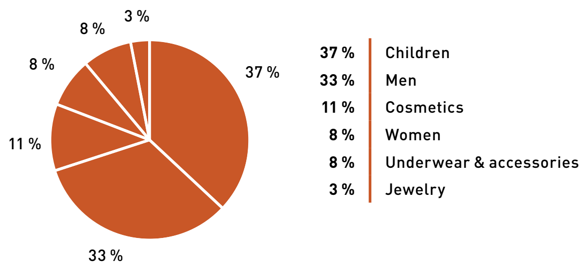
Netsales per quarter



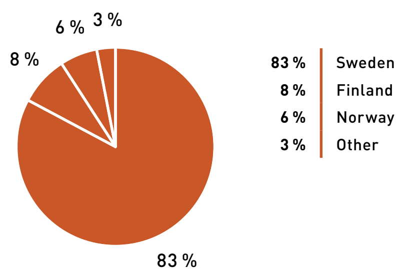
Operating income per quarter before impairment of goodwill



NET SALES 2019/2020 PER PRODUCT CATEGORY, %



NET SALES 2019/2020 PER GEOGRAPHICAL MARKET, %



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, period, 9 months	Share, %	Operating result, period, excl. IFRS 16 and deprecia-tion of goodwill, 9 months		Own stores: Stores	Own stores: E-com	Franchise: Stores	Franchise: E-com
BROTHERS	293 MSEK	 20%	-75 MSEK	Total	38	1	11	
				Sweden	38	1	11	
				Finland				
DEPARTMENTS & STORES	597 MSEK	 41%	-35 MSEK	Total	41			
				NK Stockholm	25			
				NK Gothenburg	16			
Man of a kind	22 MSEK	1%	-2 MSEK	Total		1		
POLARN O. PYRET	546 MSEK	 37%	-3 MSEK	Total	79	7	28	8
				Sweden	38	5	6	
				Norway	21	1		
				Finland	18	1	1	
				England			11	6
				USA			3	2
				Estonia	2			
				Ireland			2	
				Scotland			3	
				Iceland			1	
				Latvia			1	
					158	9	39	8
Total RNB RETAIL AND BRANDS	1 458 MSEK		-144 MSEK		197 stores	17 e-com	10 countries	

Net sales and operating income per business area	3 months Mar 2020 –May 2020	3 months Mar 2019 –May 2019	9 months Sep 2019 –May 2020	9 months Sep 2018 –May 2019	12 months Jun 2019 –May 2020	Full Year Sep 2018 –Aug 2019
Net sales, SEK M						
Brothers	58.6	141.9	293.4	400.0	432.5	539.1
Departments & Stores	114.5	211.7	596.7	690.3	826.1	919.7
Man of a kind	7.1	4.2	21.8	16.4	28.9	23.5
Polarn O. Pyret	143.9	153.5	545.8	608.0	722.2	784.4
Central operations & eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Total	**324.1**	**511.3**	**1,457.7**	**1,714.7**	**2,009.7**	**2,266.7**
Operating income, SEK M						
Brothers	-43.7	5.9	-75.3	-8.4	-79.2	-12.3
Departments & Stores[1]	-33.8	5.5	-34.7	23.6	-41.4	16.9
Man of a kind	-1.1	-3.1	-2.4	-10.6	-5.4	-13.6
Polarn O. Pyret	-18.6	-13.4	-2.6	32.1	-14.7	20.0
Central operations & eliminations	-0.3	-11.7	-29.1	-46.3	-38.9	-56.1
Operating income excl. IFRS 16 and depreciation of goodwill[1]	**-97.5**	**-16.8**	**-144.1**	**-9.6**	**-179.6**	**-45.1**

1 The group operating result includes depreciation of goodwill relating to Departments & Stores in quarter 4 2018/2019, -65 SEK M and in quarter 3 2019/2020, -141 SEK M. Brothers in quarter 3 2019/2020, -43 SEK M.

BROTHERS

Brothers is a men's fashion chain in the upper mid-price segment, offering smart casual men's fashion in an inspiring store environment, with knowledgeable staff and a strong emphasis on service

THIRD QUARTER, MARCH 1, 2020 - MAY 31, 2020

Net sales in the Brothers business area totaled SEK 59 M (142). Sales in comparable stores in Sweden and Finland decreased by - 49.4 percent expressed in SEK. E-commerce increased in the quarter. Net sales from franchise stores were down in the quarter compared to the corresponding period in the previous year. Total brand sales amounted to SEK 482 M (603).

The number of paying customers in comparable stores almost halved in the quarter in year-on-year terms. In e-commerce, visitor numbers continued to increase and the conversion rate increased significantly.

The business area gross margin was down in the quarter, due to aggressive campaigns at lower prices. All costs have been reviewed and were down significantly in the quarter in year-on-year terms following the rationalizations implemented. The main savings are derived from store rents and personnel costs.

Operating income was SEK -85 M (6). Operating income, excluding IFRS 16 and goodwill impairment, was SEK -44 M (6) in the quarter. Goodwill impairment amounted to SEK -43 M.

Inventories were down on the previous quarter and in year-on-year terms, due to decreased purchasing and increased discounting. The company offset the lower sales effectively.

In the quarter, 17 stores were closed of which five in Sweden and all 12 in Finland. One store was closed in Sweden towards the end of June.

THE PERIOD, SEPTEMBER 1, 2019 - MAY 31, 2020

Net sales in the Brothers business area totaled SEK 293 M (400). Sales in comparable stores in Sweden and Finland decreased by - 22.4 percent expressed in SEK. Net sales from franchise stores were down in the period compared to the corresponding period of the previous year. The number of paying customers in comparable stores was down in the period year-on-year, and the in-store conversion rate was lower. In e-commerce, visitor numbers increased and the conversion rate was higher.

Gross margin in the business area was significantly lower in the period year-on-year. Expenses decreased in the period, with the largest decrease in the third quarter.

Operating income was SEK -115 M (-8). Operating income, excluding IFRS 16 and goodwill impairment, was SEK -75 M (-8) in the period. Goodwill impairment amounted to SEK -43 M.

Inventories were down at the end of May compared to year end, due to decreased purchasing and increased discounting. The company offset the lower sales effectively.

DEPARTMENTS & STORES

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

THIRD QUARTER, MARCH 1, 2020 - MAY 31, 2020

Net sales in the Departments & Stores business area was SEK 115 M (212), a decrease of -45.9 percent. The number of visitors in our in-store departments in Stockholm and Gothenburg more than halved year-on-year. Tourists virtually disappeared entirely as a customer base in the quarter. Average spend per customer was largely unchanged year-on-year, while the conversion rate increased.

Gross margin decreased year-on-year due to campaigns. Costs were down significantly in the quarter compared to the previous year, due to extensive cost rationalizations, of which the largest improvement relates to primarily from personnel expenses and then rental costs.

Operating income was SEK -178 M (6). Operating income excluding IFRS 16 and goodwill impairment was SEK -34 M (6), with an operating margin of -29.5 percent (2.6). Goodwill impairment amounted to SEK -141 M.

Business area inventories were lower and with an improved mix at the end of the quarter compared to the previous year. This was achieved with a larger floor space compared to the previous year.

The refurbishment of the department store continues but has been delayed as a result of the Covid-19 outbreak. NK Luxury Corner is currently operating in a temporary space. The Hugo Boss and Boss stores have been completed and have opened, and Byredo has opened its regular store on the ground floor. NK Beauty Lounge is expected to open this fall, focusing on inner and outer beauty.

THE PERIOD, 1 SEPTEMBER 2019 – 31 MAY 2020

Net sales in the Departments & Stores business area was SEK 597 M (690), a decrease of -13.6 percent. The number of paying customers in the two in-store departments in Stockholm and Gothenburg was down in the period in year-on-year terms. Average spend per customer increased, although the conversion rate declined.

Gross margin decreased year-on-year due to campaigns. Total expenses were down in the period in year-on-year terms.

Operating income was SEK -176 M (24). Operating income excluding IFRS 16 and goodwill impairment was SEK -35 M (24), with an operating margin of -5.8 percent (3.4). Goodwill impairment amounted to SEK -141 M.

Business area inventories were lower and with an improved mix at the end of the quarter compared to the previous year. This was achieved with a larger floor space compared to the previous year.

The refurbishment of the department store continues. In the period, the business area opened NK Details in Stockholm and Gothenburg. NK Male Grooming in Stockholm relocated to a different floor. A piercing studio opened on the ground floor in Stockholm, with the Swedish jewelry brand Ennui Atelier and NK Hair Bar. In Stockholm, NK Luxury Corner is currently operating in a temporary store space. The Hugo Boss and Boss stores have been completed and have opened, and Byredo has opened its regular store on the ground floor.

Man of a kind

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

THIRD QUARTER, MARCH 1, 2020 - MAY 31, 2020

Net sales in the Man of a kind business area increased to SEK 7 M (4). Visitor numbers continued to increase significantly in year-on-year terms. Gross margin was down on the previous year as the company implemented a very successful campaign in the quarter, which also decreased gross margin.

Operating income was SEK -1 M (-3). Operating income excluding IFRS 16 was SEK -1 M (-3).

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

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

THE PERIOD, SEPTEMBER 1, 2019 - MAY 31, 2020

Net sales in the Man of a kind business area increased to SEK 22 M (16). Visitor numbers continued to increase significantly in year-on-year terms. Gross margin was higher year-on-year due to the full price strategy for most of the period, new ranges and brands.

Operating income was SEK -2 M (-11). Operating income excluding IFRS 16 was SEK -2 M (-11).

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

Some of the brands Man of a kind offer online are exclusive to Man of a kind in Sweden, i.e. the brands are not available online through any other retailer.

POLARN O. PYRET

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

THIRD QUARTER, MARCH 1, 2020 - MAY 31, 2020

Net sales totaled SEK 144 M (154) in the quarter. Sales in comparable proprietary stores on all national markets increased by 4 percent year-on-year, expressed in SEK. This increase in the midst of a pandemic was driven by e-commerce sales, which were up by 187 percent in comparable terms. PO.P's e-commerce sales in the quarter was 58 percent. Total brand sales amounted to SEK 838 M (929).

The number of paying customers in comparable physical stores almost halved in year-on-year terms. The in-store conversion rate increased while average spend per customer remained unchanged. In e-commerce, visitor numbers almost doubled, with a higher conversion rate. Average spend per customer was up slightly. Gross margin for the quarter was down year-on-year, driven by campaigns.

Operating expenses were clearly down year-on-year, due to the significant cost savings implemented. Personnel expenses followed by rents are the two most reduced items.

Operating income was SEK -21 M (-13). Operating income excluding IFRS 16 was SEK -18 M (-13), corresponding to an operating margin of -12.9 percent (-8.7).

Business area inventories were down at the end of the quarter in year-on-year terms, due to slightly lower purchasing and several successful sales campaigns. PO.P closed 13 stores in Sweden in the quarter, and three stores in June.

THE PERIOD, SEPTEMBER 1, 2019 - MAY 31, 2020

NNet sales totaled SEK 546 M (608) in the period. Sales in comparable proprietary stores on all national markets decreased by -10.1 percent year-on-year, expressed in SEK. The number of paying customers in comparable stores was down significantly in year-on-year terms. The in-store conversion rate and average spend per customer increased. In e-commerce, the number of paying customers was up with a higher conversion rate, and with a higher average spend per customer.

Gross margin in the period was down marginally in year-on-year terms.

Operating expenses were down in year-on-year terms. Operating income was SEK -3 M (32). Operating income excluding IFRS 16 was SEK -3 M (32), corresponding to an operating margin of -0.5 percent (5.3).

Business area inventories were down at the end of the period in year-on-year terms, due to slightly lower purchasing and several successful sales campaigns.

Financial position and liquidity

The Group's total assets amounted to SEK 1,818 M, compared to SEK 1,112 M at the end of the previous financial year. The increase was due to the Group's rental commitments being recognized in the Balance Sheet in accordance with IFRS 16, which was not applied in the previous year.

As of May 31, inventories totaled SEK 347 M (473), compared to SEK 458 M at the end of the previous financial year. This was the lowest inventory level since August 2014.

Cash flow from changes in working capital was positive in the period at SEK 212 M (80). Cash flow from operating activities was SEK 235 M (92) in the period. After investments, cash flow was SEK 205 M (40).

Net debt increased to SEK 1,228 M, compared to SEK 442 M at the end of the previous financial year. Excluding the IFRS 16 effect, net debt amounted to SEK 313 M (396). The corporate bond with a nominal amount of SEK 400 M is the Group's largest liability and originates from the acquisition of JC in 2006.

SHAREHOLDERS' EQUITY

Equity was SEK -82 M at the end of the period, against SEK 235 M at the end of the previous financial year, implying an equity/assets ratio of -4.5 percent (21.1 at year-end). Excluding IFRS 16, the equity/assets ratio was -9.5 percent (29.0).

Group equity was negative as of 31 May 2020 due to substantial impairment because of changed assumptions and significant losses in the third quarter. If and when the restructuring is complete and gains legal force in accordance with the Group's plan, the subsidiaries' and Group equity will be significantly strengthened as a result of the expected benefits from the arrangements with creditors.

LIQUIDITY

The Group's cash and cash equivalents including overdraft facilities totaled SEK 179 M (105) at the end of the period, compared to SEK 58 M at the end of the previous financial year.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

Investments during the period, excluding investments in subsidiaries, totaled SEK 18 M (53). Depreciation/amortization in the quarter totaled SEK -394 M (-36), of which SEK -184 M related to goodwill impairment and SEK 182 M related to IFRS 16. For more information see Notes 4 and 5.

EMPLOYEES

The average number of employees, recalculated as full time equivalents, was 838 (971) in the period.

RELATED-PARTY TRANSACTIONS

There were no transactions in the financial year between the RNB Group and related parties that materially impacted the Group's financial position and results of operations. For more information on transactions with related parties, see Note 34 of the 2018/2019 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 779 M at year-end, tax expenses are expected to remain low. For more information, see Note 9 of the 2018/2019 Annual Report.

PARENT COMPANY

Parent Company net sales were SEK 26 (80) M. Profit/loss after net financial items was SEK -241 M (6). Investments totaled SEK 2 (15) M.

The Parent Company has receivables due from the subsidiaries. Estimated losses from arrangements with creditors on these receivables was expensed in the third quarter.

SEASONAL VARIATIONS

Retail sales are affected by seasonal variations, with the highest sales generated in 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.

The Parent Company's credit limit of SEK 110 M runs until 30 September 2020.

The corporate bond with a nominal amount of SEK 400 M runs until February 2023. The corporate restructuring means that certain bond covenants have been breached, although this does not affect maturity. In accordance with the terms of the bond, Danske Bank has suspended payments for the fixed income instrument. Interest in the quarter has been expensed but not paid. According to the terms, interest should have been paid on 1 June 2020.

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 segments.
- Identifying continuously shifting fashion trends and customer preferences.
- Covid-19 will continue to negatively affect sales and profit, although it is difficult to gage the extent and duration of this impact.

Four of the Group's subsidiaries are currently in reconstruction, which implies increased risk in several areas for these subsidiaries and the Group.

For a more detailed description of the Group's risks and risk management, see the 2018/2019 Annual Report.

RIGHTS ISSUE

In the second quarter, a preferential rights issue was completed raising some SEK 84.8 M before issue expenses. The issue increased the company's share capital to SEK 30.5 M, and the number of shares to 101,736,528 and the number of votes to 101,736,528.

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, July 8, 2020
The Board of Directors and Chief Executive Officer of
RNB RETAIL AND BRANDS AB (publ)

Michael Lemner
Board member

Per Thunell
Chairman

Joel Lindeman
Board member

Kristian Lustin
President and CEO

Review report

RNB RETAIL AND BRANDS AB (PUBL), CORPORATE IDENTITY NUMBER 556495–4682

INTRODUCTION

We have reviewed the condensed interim report for RNB RETAIL AND BRANDS AB (publ), as at May 31, 2020 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

SIGNIFICANT UNCERTAINTY REGARDING GOING CONCERN

Without modifying our opinion, we draw the attention to the disclosure on page 6 in the management report in which the Board of Directors states that the group ability to continue as a going concern is dependent on that the proposed restructuring gains legal force, the extension of interest carrying liabilities of 110 Mkr that becomes due in September 2020 and also the planned changes generates the cash flow projected. If the planned procedures would not be executed as planned there is a significant uncertainty about the group's ability to continue as a going concern.

Stockholm, July 8, 2020

Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Consolidated Income Statement

SEK M	3 months **Mar 2020 –May 2020**	 Mar 2019 –May 2019	9 months **Sep 2019 –May 2020**	 Sep 2018 –May 2019	12 months **Jun 2019 –May 2020**	Full Year Sep 2018 –Aug 2019
Net sales	324.1	511.3	1,457.7	1,714.7	2,009.7	2,266.7
Goods for resale	-186.0	-244.3	-772.4	-844.7	-1,081.8	-1,154.1
Gross income	**138.1**	**267.0**	**685.3**	**870.0**	**927.9**	**1,112.6**
Other operating income	14.6	9.3	32.0	23.8	37.8	29.6
Other external expenses	-95.8	-145.5	-265.3	-429.1	-406.6	-570.4
Personnel expenses	-98.4	-137.8	-377.6	-438.2	-509.6	-570.2
Depreciation and impairment of non-current assets	-54.2	-9.9	-210.2	-36.1	-220.8	-46.7
Impairment of goodwill	-184.0	0.0	-184.0	0.0	-249.0	-65.0
Result from divestment of subsidiaries	-4.8	0.0	-4.8	0.0	-4.8	0.0
Operating income	**-284.5**	**-16.9**	**-324.6**	**-9.6**	**-425.1**	**-110.1**
Financial income	0.6	0.1	1.8	0.8	3.2	2.2
Financial expenses	-34.6	-8.4	-62.9	-24.8	-70.1	-32.0
Unrealized profit/loss on futures contracts	0.0	0.1	0.0	-2.5	-0.1	-2.6
Net financial items	**-34.0**	**-8.2**	**-61.1**	**-26.5**	**-67.0**	**-32.4**
Profit before tax from continuing operations	**-318.5**	**-25.1**	**-385.7**	**-36.1**	**-492.1**	**-142.5**
Tax on net income for the period	0.8	-1.8	1.0	-0.1	1.2	0.1
Net income for the period	**-317.7**	**-26.9**	**-384.7**	**-36.2**	**-490.9**	**-142.4**
Other comprehensive income						
Other comprehensive income, which will be reclassified to net income in subsequent periods						
Cash flow hedges – value changes	8.8	5.2	4.8	9.9	10.1	15.2
Cash flow hedges recognised in income	-6.7	-7.8	-12.1	-20.0	-20.5	-28.4
Translation differences	0.7	0.2	0.6	0.2	1.6	1.2
Tax attributable to items in other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	**-314.9**	**-29.3**	**-391.4**	-46.1	**-499.7**	**-154.4**
Net income for the period attributable to:						
Parent Company's shareholders	-317.7	-26.9	-384.7	-36.2	-490.9	-142.4
	-317.7	**-26.9**	**-384.7**	**-36.2**	**-490.9**	**-142.4**
Comprehensive income attributable to:						
Parent Company's shareholders	-314.9	-29.3	-391.4	-46.1	-499.7	-154.4
	-314.9	**-29.3**	**-391.4**	**-46.1**	**-499.7**	**-154.4**
Earnings per share before and after dilution (SEK)	**-3.12**	**-0.79**	**-4.99**	**-1.07**	**-7.40**	**-4.20**
Average number of shares, (000s)	**101,737**	**33,912**	**77,141**	**33,912**	**66,342**	**33,912**

Consolidated Balance Sheet, in summary

Mkr	**May 31, 2020**	May 31, 2019	Aug 31, 2019
Assets			
Intangible assets	194.3	450.4	386.3
Tangible assets	75.0	89.2	84.8
Right-of-use assets	880.9	0.0	0.0
Financial assets	14.3	8.8	8.7
Total non-current assets	**1,164.5**	**548.4**	**479.8**
Inventories	346.5	472.8	458.4
Current receivables	130.1	139.2	163.1
Cash	176.6	25.4	10.6
Total current assets	**653.2**	**637.4**	**632.1**
Total assets	**1,817.7**	**1,185.8**	**1,111.9**
Shareholders' equity and liabilities			
Equity attributable to the Parent Company shareholders	-81.5	343.3	235.0
Total equity	**-81.5**	**343.3**	**235.0**
Long-term lease liabilities	728.0	-	-
Non-current liabilities	405.3	427.5	422.7
Current lease liabilities	187.7	-	-
Current liabilities	578.2	415.0	454.2
Total liabilities	**1 899.2**	**842.5**	**876.9**
Total equity and liabilities	**1,817.7**	**1,185.8**	**1,111.9**

Changes in shareholders' equity, in summary

SEK M	**Sep 2019 –May 2020**	Sep 2018 –May 2019	Sep 2018 –Aug 2019
Opening balance	235.0	389.4	389.4
Net income for the period	**-384.7**	**-36.2**	**-142.4**
Other comprehensive income			
Changes to cash flow hedges	4.8	9.9	15.2
Cash flow hedges recognised in income	-12.1	-20.0	-28.4
Translation differences	0.6	0.2	1.2
Total comprehensive income for the year	**-391.4**	**-46.1**	**-154.4**
Paid dividend	0.0	0.0	0.0
Rights issue	74.9	0.0	0.0
Balance at end of period	**-81.5**	**343.3**	**235.0**

Consolidated Cash Flow Statement, in summary

SEK M	3 months **Mar 2020 –May 2020**	 Mar 2019 –May 2019	9 months **Sep 2019 –May 2020**	 Sep 2018 –May 2019	12 months **Jun 2019 –May 2020**	Full Year Sep 2018 –Aug 2019
Operating activities						
Operating income	-284.5	-16.9	-324.6	-9.6	-425.1	-110.1
Interest received and other financial income	0.6	0.1	1.8	0.8	3.2	2.2
Interest paid	-24.3	-1.0	-57.9	-21.2	-66.4	-29.7
Adjustment for non-cash items	247.0	15.9	403.0	42.6	475.7	115.3
Tax paid	0.0	0.0	0.0	0.0	2.0	2.0
Cash flow before change in working capital	-61.2	-1.9	22.3	12.6	-10.6	-20.3
Cash flow from change in working capital						
Change in inventories	65.2	-24.3	96.3	26.6	110.0	40.3
Decrease (+)/increase (-) in current receivables	9.4	19.5	21.8	25.9	-8.7	-4.6
Decrease (-)/increase (+) in current liabilities	133.6	25.1	94.2	27.2	101.3	34.3
Change in working capital	208.2	20.3	212.3	79.7	202.6	70.0
Cash flow from operating activities	147.0	18.4	234.6	92.3	192.0	49.7
Cash flow from investing activities	1.1	-9.3	-29.3	-51.9	-34.3	-56.9
Cash flow after investments	148.1	9.1	205.3	40.4	157.7	-7.2
Financing activities						
Change in overdraft facility	-2.6	0.0	34.3	-26.3	67.2	6.6
Change in other debt	0.0	0.0	20.0	0.0	20.0	0.0
Change in corporate bond	-1.3	0.0	0.0	0.0	0.0	0.0
Amortization of loan	0.0	0.0	-20.0	0.0	-20.0	0.0
Payment of lease liabilities (rental payments)	-19.4	0.0	-148.4	0.0	-148.4	0.0
Rights issue	0.0	0.0	74.9	0.0	74.9	0.0
Cash flow from financing activities	-23.3	0.0	-39.2	-26.3	-6.3	6.6
Cash flow during the period	124.8	9.1	166.1	14.1	151.4	-0.6
Cash and cash equivalents at beginning of period	53.1	16.3	10.6	11.3	25.4	11.3
Exchange difference in cash and cash equivalents	-1.3	0.0	-0.1	0.0	-0.2	-0.1
Cash and cash equivalents at end of period	176.6	25.4	176.6	25.4	176.6	10.6

Income Statement, Parent Company

SEK M	3 months Mar 2020 –May 2020	Mar 2019 –May 2019	9 months Sep 2019 –May 2020	Sep 2018 –May 2019	12 months Jun 2019 –May 2020	Full Year Sep 2018 –Aug 2019
Net sales	6.5	27.0	26.2	79.8	49.9	103.5
Other operating income	0.5	1.3	1.6	4.2	2.2	4.8
	7.0	**28.3**	**27.8**	**84.0**	**52.1**	**108.3**
Operating expenses						
Other external expenses	-4.3	-25.0	-35.1	-67.1	-56.5	-88.5
Personnel expenses	-2.1	-12.1	-17.5	-48.8	-27.3	-58.6
Depreciation and impairment of non-current assets	-1.4	-3.4	-4.3	-14.5	-7.5	-17.7
Operating income	**-0.8**	**-12.2**	**-29.1**	**-46.4**	**-39.2**	**-56.5**
Result from participations in group companies	-191.8	70.0	-191.8	70.0	-216.8	45.0
Financial income	1.8	1.3	4.9	3.5	6.4	5.0
Financial expenses	-9.4	-7.6	-25.0	-21.1	-32.4	-28.5
Result after financial items	**-200.2**	**51.5**	**-241.0**	**6.0**	**-282.0**	**-35.0**
Taxes	-	-	-	-	-	-
Net income for the period	**-200.2**	**51.5**	**-241.0**	**6.0**	**-282.0**	**-35.0**

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

Balance Sheet, Parent Company, in summary

SEK M	May 31, 2020	May 31, 2019	Aug 31, 2019
Assets			
Intangible assets	13.4	44.6	23.2
Property, plant and equipment	0.9	1.9	1.5
Financial assets	475.3	569.4	519.3
Defered tax assets	55.2	170.3	202.9
Other current assets	0.0	0.0	0.0
Total assets	**544.8**	**786.2**	**746.9**
Shareholders' equity and liabilities			
Equity	58.0	265.1	224.1
Non-current liabilities	405.3	402.6	399.9
Current liabilities	81.5	118.5	122.9
Total equity and liabilities	**544.8**	**786.2**	**746.9**

Notes

NOTE 1 ACCOUNTING PRINCIPLES

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 2018/2019, with the exception that the Group from September 1, 2019 applies IFRS 16. Disclosures in accordance with IAS 34. 16A appear in addition to the financial statements and their accompanying notes in other parts of this interim report.

This report includes critical estimates and judgments. For more information, see Note 2 of the Annual Report for 2018/2019.

The government guarantee scheme for staff salaries has not affected the recognized salary expenses. These have been included in the arrangements with creditors and are subject to approval. However, the companies are not liable for social security expenses for these salary costs and unlike for salaries, these costs have not been expensed.

Gross profit is reported separately in the Interim Report, diverging from the presentation in the Annual Report.

In the financial summary on page 8 of this report, operating income has been reported exclusive of IFRS 16 and goodwill impairment.

New IFRS standards issued but not yet applied

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

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 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. The reporting applies hedge accounting when there is an effective link between hedged future cash flows and financial derivatives. The Group had no financial derivatives outstanding as of 31 May 2020 (SEK 10 M).

NOTE 3 LEASE AGREEMENTS IFRS 16

From September 1, 2019, RNB applies the standard IFRS 16 Leases, whereby lease agreements are reported in the Balance Sheet and all lease expenses are reported as amortization and interest expenses [(the company applies exemptions, for more information see paragraph 3 below).] The Group's lease agreements are mainly rent agreements for store premises. The lease period is determined by the contractual non-cancellable period governing extension or expected cancellation of the agreement. If it cannot be determined with reasonable certainty that an extension or cancellation will take place, the extension is not included in the calculation of the lease liability. Rent agreements are reviewed continuously, most recently on 31 May 2020. This implied that several rent agreements were terminated and are no longer included in costs. This resulted in a reduced lease liability of SEK 36.6 M.

The main effects from IFRS 16 are:

EBITDA: positive effect as all lease expenses are reported as amortization and interest expenses (outside EBITDA). Previously, operating lease agreements were reported as operating expenses in EBITDA.

Equity: no effect because the increase in right-of-use (lease contracts) corresponds to the increase in lease liabilities.

Net debt: increases due to the increase in lease liabilities. The increase corresponds to the lease liability.

Cash flow: no effect on total cash flow.

RNB applies IFRS 16's modified retrospective transition approach, which means that comparative figures have not been restated, in accordance with IFRS 16.C5(b). The right-of-use asset has been recognized according to the principle described in IFRS 16.C8(b.ii), i.e. at an amount corresponding to the lease liability adjusted for prepaid or accrued expenses. Comparative figures have not been restated. RNB also applies the practical exemptions regarding reporting payments attributable to short-term lease agreements and lease agreements for assets of low value as an expense in the Income Statement.

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

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

In cases where rental discounts have been obtained, these discounts have reduced the value of lease assets and lease liabilities, and depreciation/amortization and interest have been decreased.

NOTE 4 GOODWILL IMPAIRMENT

Group	**May 31, 20**	Aug 31, 19
Opening cost	335,229	399,723
Purchases in the year		
Impairment in the year	-184,000	-65,000
Translation difference	-51	506
Closing accumulated cost	151,178	335,229

Goodwill item allocated by segment:

	May 31, 20	Aug 31, 19
Brothers	54,668	97,668
Departments & Stores	27,445	168,445
Polarn O. Pyret	69,065	69,116
Closing accumulated cost	151,178	**335,229**

Impairment testing of goodwill

Impairment testing is carried out by calculating the value-in-use on a segment by segment basis. The calculations are based on forecast cash flow based on the budget, forecasts and strategic plans generated during April-May 2020. The key parameters are revenue, operating income, working capital, investments and WACC. Future cash flows are calculated on the basis of present conditions, in other words planned store expansions and other growth plans are not included in the cash flow forecasts. The cash flows of the operating segments are affected by commercial factors such as changed purchasing patterns, market growth, competitiveness, margins, cost trend, investment levels and tied-up working capital. Additional assessments of factors such as interest rates, cost of borrowing, market risk, beta values and tax rates are carried out in connection with discounting.

Forecast cash flows during the terminal period are based on an annual growth rate of 0.2 percent (0.2). This is based on an assessment of the future long-term market growth rate at the time of impairment testing. Forecast cash flows have been calculated at present value based on a discount rate of 11.0 percent (9.0) after tax. The discount rate reflects the market assessment of monetary values over time and the specific risks that pertain to the asset for which estimates of future cash flows have not been adjusted. A higher discount rate has been applied as a result of higher applied risk premiums due to increased uncertainty in the market climate. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

Outcome from impairment testing in the quarter

Impairment testing resulted in goodwill impairment of SEK 141 M for Departments & Stores, and goodwill impairment of SEK 43 M for Brothers. Impairment is reported under "Impairment of goodwill" in the Income Statement.

Based on recent developments the companies have assumed lower sales and profit levels than previously established tests. The reason for the impairment is decreased operating income due to the Covid-19 pandemic, which has affected visitor numbers, which resulted in lower sales and is expected to have a continued negative impact on sales. The subsidiaries have implemented decisive measures to improve profitability, such as lowering personnel costs. Costs of premises, which is a major cost for the subsidiaries, have been reduced in the short term, and slightly in the long term, although it has not been possibly to persuade landlords to decrease the cost of premises in the longer term. Against this background, the long-term assumptions have been adjusted down which, in combination with increased WACC, has implied a need for goodwill impairment for Departments & Stores and Brothers.

Sensitivity analysis Departments & Stores and Brothers

After taking into account this year's goodwill impairment, a general analysis of the sensitivity of the variables applied to the segments Departments & Stores and Brothers was carried out.

After this year's impairment, a lower annual growth rate and a higher discount rate imply an impairment need for the recognized value of goodwill. In order to justify the book value of goodwill, the segment would require sustainable operating income of some SEK 24 M, corresponding to sustainable cash flow of just over 19 M. A negative departure of SEK 10 M from sustainable operating income of SEK 24 M would affect the value of goodwill by in the range of SEK 50 M.

For Brothers, the segment requires an initial sustainable operating income of just under SEK 24 M, corresponding to a sustainable cash flow of just under SEK 19 M. A negative departure of SEK 10 M from sustainable operating income of just under SEK 24 M would affect the value of goodwill by some SEK 50 M.

Other key assumptions Departments & Stores and Brothers

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

Sales

Over the last five years, visitor and customer numbers in the Departments & Stores operating segment have declined. Several significant factors influence department store sales. The Covid-19 pandemic more than halved paying customer numbers in the third quarter, and virtually all tourist visitors disappeared. Extensive construction work has been carried out in central Stockholm, and directly adjacent to the department store, since 2014. This has negatively affected the shopping experience and pedestrian traffic in the area around the department store. The district of Brunkebergstorg is being regenerated as a social hub in central Stockholm. Over the last five years, the Gallerian shopping mall has undergone a major transformation as part of the extensive development project Urban Escape. The Sergelstan refurbishment project. The project encompasses three buildings to be developed into offices, hotel, retail space and residences. Hamngatspalatset, which is expected to offer both office space and shops, adjacent to the NK department store. The purchasing patterns of modern customers show a growing trend towards e-commerce. NK does not currently have an online trading platform to offset the declining customer and visitor numbers.

The value offering provided by the Brothers operating segment in recent years has not been well received by customers, and has implied lower full-price sales. At the same time, the market share of tailored shirts and suits has decreased. This has negatively affected Brothers which focuses on this segment.

Gross margins

The calculation is based on the assumption that the strategic gross margin remains unchanged against the previous year's budget. A sensitivity analysis of the impact of gross margin on sustainable operating income indicates that a decrease in gross margin of 1 percentage point against forecast affects sustainable operating income negatively by just under SEK 10 M, which would generate a need for impairment for Department & Stores and Brothers in the event of such a scenario.

Costs

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

Personnel expenses

Forecast personnel expenses are based on forecast inflation, a degree of growth in real wages and planned rationalizations. Personnel expenses are clearly the largest cost item in the Brothers operating segment, corresponding to some 41 percent of total costs. A change in personnel costs of 1 percent annually would affect sustainable operating income by SEK 1.0 M.

Personnel expenses are one of Departments & Stores' two largest cost items, corresponding to 44 percent of total costs. A change in personnel costs of 1 percent annually would affect sustainable operating income by some SEK 1.7 M.

Cost of premises

The anticipated cost of premises is based on forecast inflation, rent adjustments and renegotiated contracts. The cost of premises corresponds to just over 44 percent of Departments & Stores' total costs. A change of 1 percent annually would affect sustainable operating income by some SEK 1.7 M. The cost of premises corresponds to just under 25 percent of Brother's total costs. A change of 1 percent annually would affect sustainable operating income by some SEK 0.6 M.

Measures aimed at improving the trend for both operating segments have been implemented previously and especially in the current year, including store closures, refurbishments, rationalizations, streamlining of logistics, reductions of head office and in-store staff, and fashion range restructuring.

Sensitivity analysis for Polarn O. Pyret

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

NOTE 5 IMPAIRMENT TESTING OF BOOK VALUE OF SHARES IN SUBSIDIARIES

Parent Company	May 31, 20	Aug 31, 19
Opening cost	511,704	561,704
Depreciation and amortization in the year	-39,000	-50,000
Closing accumulated cost	**472,704**	511,704

Shares in subsidiaries by segment:

	May 31, 20	Aug 31, 19
Brothers	146,000	185,000
Departments & Stores	220,654	220,654
Polarn O. Pyret	106,000	106,000
Closing accumulated cost	**472,704**	511,704

Book value of shares in subsidiaries corresponds to book value of acquired companies in Parent Company reporting and shall be recognized at fair value according to IFRS.

Impairment testing of value of shares in subsidiaries
Impairment testing proceeds from the same valuation models and the same estimated value of cash generating units that have been applied in the calculation of Group goodwill (for more information, see Note 4).

Outcome from impairment testing of goodwill in the quarter
Impairment testing carried out resulted in impairment of shares in subsidiaries totaling SEK 39 M for Brothers. The reasons for the valuation of Brothers can be found in Note 4. In addition to the valuation of future cash flows, impairment testing also takes into account net debt for the segment and the fair value of shares. Testing is carried out on the basis of the value of future cash flows, less net debt, and comparing the result with the recognized value of the shares.

NOTE 6 COMPANIES THAT ARE NO LONGER CONSOLIDATED IN THE GROUP FROM THE THIRD QUARTER

After Brothers Oy entered into liquidation, RNB made the assessment that the company is no longer under the Group's influence. This means that the company is no longer consolidated in the Group from 17 April. The expected loss of SEK -4.8 M the liquidation implies for RNB has been recognized under "Profit/loss from divestment of subsidiaries" in the Consolidated Income Statement.

NOTE 7 IFRS 15 REVENUE RECOGNITION

See page 7 for revenue recognition by segment and product category

Key ratios

SEK M	**Sep 2019 –May 2020**	Sep 2018 –May 2019	Jun 2019 –May 2020	Sep 2018 –Aug 2019
Gross margin, %	47.0	50.7	46.2	49.1
Operating margin, %	-22.3	-0.6	-21.2	-4.9
Operating margin, excl. IFRS 16, %	-22.5	-0.6	-21.3	-4.9
Equity/assets ratio, %	-4.5	29.0	-4.5	21.1
Equity/assets ratio, excl. IFRS 16, %	-9.5	29.0	-9.5	21.1
Interest coverage ratio, x	-5.1	-0.3	-6.0	-3.1
Ratio of net debt and operating income before depreciation/amortization	17.6	14.9	27.5	276.4
Net debt, MSEK	1,228.4	396.1	1,228.4	442.3
Net debt/equity ratio, %	-1,507.2	115.4	-1,507.2	188.2
Return on equity, %	-501.2	-9.9	-375.0	-45.6
Return on capital employed, %	-37.1	-1.1	-46.3	-14.2
Average number of shares, 000s	77,141	33,912	66,342	33,912
Number of shares at end of period, 000s	101,737	33,912	101,737	33,912
Profit after tax per share, SEK	-4.99	-1.07	-7.40	-4.20
Equity per share at end of period, SEK	-0.80	10.12	-0.80	6.93
Average number of employees, full time	838	971	859	992

See Definition of key ratios at page 22

Shareholders

Largest shareholders as of May 31, 2020

	Number of shares	**Share capital/ Votes, %**
Konsumentföreningen Stockholm	41,832,649	41.1
Novobis AB	11,957,790	11.8
Nordnet pensionsförsäkring AB	6,014,507	5.9
Avanza Pension Försäkringsaktiebolaget	4,801,621	4.7
Strategiq Capital AB	2,100,000	2.1
Youplus Assurance	1,500,000	1.5
Gynningskust Holding AB	1,200,000	1.2
Puhab Information AB	571,352	0.6
SEB Investment Management	552,920	0.5
Hans Christer Artursson	532,909	0.5
Total 10 largest shareholders	**71,063,748**	**69.9**
Other	30,672,780	30.1
Total	**101,736,528**	**100.0**

Source: Euroclear Sweden AB

Income Statement per quarter, Group

SEK M	Q3 2019/ 2020	Q3 2018/ 2019	Q2 2019/ 2020	Q2 2018/ 2019	Q1 2019/ 2020	Q1 2018/ 2019	Q4 2018/ 2019	Q4 2017/ 2018
Net sales	324.1	511.3	560.9	603.9	572.7	599.5	552.0	560.7
Goods for resale	-186.0	-244.3	-319.9	-323.9	-266.5	-276.5	-309.4	-301.0
Gross income	**138.1**	**267.0**	**241.0**	**280.0**	**306.2**	**323.0**	**242.6**	**259.7**
Other operating income	14.6	9.3	9.5	7.9	7.9	6.6	5.8	6.5
Other external expenses	-95.8	-145.5	-79.9	-142.3	-89.6	-141.3	-141.3	-133.1
Personnel expenses	-98.4	-137.8	-144.1	-158.4	-135.1	-142.0	-132.0	-124.8
Depreciation and impairment of non-current assets	-54.2	-9.9	-78.2	-15.5	-77.8	-10.7	-10.6	-11.1
Impairment of goodwill	-184.0	-	0.0	-	0.0	-	-65.0	-
Result from divestment of subsidiaries	-4.8	-	-	-	-	-	-	-
Operating income	**-284.5**	**-16.9**	**-51.7**	**-28.3**	**11.6**	**35.6**	**-100.5**	**-2.8**
Financial income	0.6	0.1	-0.1	0.0	1.3	0.7	1.4	2.7
Financial expenses	-34.6	-8.4	-12.1	-7.5	-16.2	-8.9	-7.2	-9.1
Unrealized profit/loss on futures contracts	0.0	0.1	0.0	-0.8	0.0	-1.8	-0.1	-1.5
Net financial items	**-34.0**	**-8.2**	**-12.2**	**-8.3**	**-14.9**	**-10.0**	**-5.9**	**-7.9**
Profit before tax from continuing operations	**-318.5**	**-25.1**	**-63.9**	**-36.6**	**-3.3**	**25.6**	**-106.4**	**-10.7**
Tax on net income for the quarter	0.8	-1.8	0.8	1.9	-0.6	-0.2	0.2	-2.1
Net income for the quarter	**-317.7**	**-26.9**	**-63.1**	**-34.7**	**-3.9**	**25.4**	**-106.2**	**-12.8**
Other comprehensive income								
Other comprehensive income, to be reclassified to net income in subsequent quarters								
Cash flow hedges – value changes	8.8	5.2	4.2	6.0	-8.2	-1.3	5.3	2.7
Cash flow hedges recognised in income	-6.7	-7.8	-1.0	-5.9	-4.4	-6.3	-8.4	-1.6
Translation differences	0.7	0.2	0.8	-0.9	-0.9	0.9	1.0	-0.7
Tax attributable to items in other comprehensive income	-	-	-	-	-	-	-	-
Comprehensive income for the quarter	**-314.9**	**-29.3**	**-59.1**	**-35.5**	**-17.4**	**18.7**	**-108.3**	**-12.4**

Key ratios per quarter

SEK M	Q3 2019/ 2020	Q3 2018/ 2019	Q2 2019/ 2020	Q2 2018/ 2019	Q1 2019/ 2020	Q1 2018/ 2019	Q4 2018/ 2019	Q4 2017/ 2018
Gross margin, %	42.6	52.2	43.0	46.4	53.5	53.9	43.9	46.3
Operating margin, %	-87.8	-3.3	-9.2	-4.7	2.0	5.9	-18.2	-0.5
Return on equity, %	-418.3	-7.5	-27.7	-8.9	-1.7	6.4	-36.7	-3.2
Average number of shares, 000s	101,737	33,912	95,774	33,912	33,912	33,912	33,912	33,912
Number of shares at end of quarter, 000s	101,737	33,912	101,737	33,912	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	-3.12	-0.79	-0.66	-1.02	-0.12	0.75	-3.13	-0.38
Equity per share at end of quarter, SEK	-0.80	10.12	2.29	10.99	6.53	12.03	6.93	11.48
Total equity	-81.5	343.3	233.4	372.6	221.5	408.1	235.0	389.4
Cash flow per share from operating activities	1.4	0.5	-0.3	0.8	-1.3	1.4	-1.3	-1.1
Cash flow from operating activities	147.0	18.4	-31.8	27.0	-42.6	46.9	-42.6	-38.9
Share price at end of quarter, SEK	0.4	4.7	1.0	6.0	1.3	6.7	3.8	8.3

Reconciliation of key ratios

SEK M	9 months **Sep 2019 –May 2020**	 Sep 2018 –May 2019	12 months **Jun 2019 –May 2020**	Full Year Sep 2018 –Aug 2019
Net sales	1,457.7	1,714.7	2,009.7	2,266.7
Goods for resale	-772.4	-844.7	-1,081.8	-1,154.1
Gross profit	**685.3**	**870.0**	**927.9**	**1,112.6**
Other operating income	32.0	23.8	37.8	29.6
Other external expenses	-265.3	-429.1	-406.6	-570.4
Personnel expenses	-377.6	-438.2	-509.6	-570.2
Depreciation and impairment of non-current assets	-210.2	-36.1	-220.8	-46.7
Impairment of goodwill	-184.0	0.0	-249.0	-65.0
Result from divestment of subsidiaries	-4.8	0.0	-4.8	-
Operating income (EBIT)	**-324.6**	**-9.6**	**-425.1**	**-110.1**
Interest income and similar profit/loss items	1.8	0.8	3.2	2.2
Interest expenses and similar profit/loss items	-62.9	-24.8	-70.1	-32.0
Unrealized profit/loss on futures contracts	0.0	-2.5	-0.1	-2.6
Net financial items	**-61.1**	**-26.5**	**-67.0**	**-32.4**
Profit/loss after financial items	**-385.7**	**-36.1**	**-492.1**	**-142.5**
Adjustments:				
Tax on net profit/loss for the period	1.0	-0.1	1.2	0.1
Net income for the period	**-384.7**	**-36.2**	**-490.9**	**-142.4**
Operating income	-324.6	-9.6	-425.1	-110.1
Depreciation and impairment of non-current assets	210.2	36.1	220.8	46.7
Impairment of goodwill	-	-	249.0	65.0
Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)	**-114.4**	**26.5**	**44.7**	**1.6**

Reconciliation of key ratios, cont.

SEK M	9 months Sep 2019 –May 2020	Sep 2018 –May 2019	12 months Jun 2019 –May 2020	Full Year Sep 2018 –Aug 2019
Loans	0.0	0.0	0.0	0.0
Contingent consideration	0.0	0.0	0.0	22.8
Other non-current interest-bearing liabilities	405.3	421.5	405.3	397.2
Other non-current liabilities	0.0	6.0	0.0	2.7
Long-term lease liabilities	728.0	0.0	728.0	0.0
Non-current liabilities	**1,133.3**	**427.5**	**1,133.3**	**422.7**
Loans	0.0	0.0	0.0	0.0
Contingent consideration	0.0	0.0	0.0	22.8
Long-term lease liabilities	728.0	0.0	728.0	0.0
Other non-current interest-bearing liabilities	405.3	421.5	405.3	397.2
Current lease liabilities	187.7	0.0	187.7	0.0
Other current interest-bearing liabilities	84.0	0.0	84.0	32.9
Cash and cash equivalents	-176.6	-25.4	-176.6	-10.6
Net debt	**1,228.4**	**396.1**	1,228.4	442.3
Equity, opening balance	235.0	389.4	343.3	389.4
Equity, closing balance	-81.5	343.3	-81.5	235.0
Average equity	**76.8**	**366.4**	**130.9**	**312.2**
Total assets	1,817.7	1 185.8	1,817.7	1,112.0
Trade payables	-236.5	-192.8	-236.5	-215.2
Current lease liabilities	-187.7	0.0	-187.7	0.0
Other current liabilities	-341.7	-222.2	-341.7	-206.1
Capital employed	**1,051.8**	**770.8**	**1,051.8**	**690.6**
Net income for the period	-384.7	-36.2	-490.9	-142.4
Average equity	76.8	366.4	130.9	312.2
Return on equity, %	**-501.2**	**-9.9**	**-375.0**	**-45.6**
Capital employed, opening balance	690.6	834.2	770.8	834.2
Capital employed, closing balance	1,051.8	770.8	1,051.8	690.6
Average capital employed	**871.2**	**802.5**	**911.3**	**762.4**
Interest expenses and similar profit/loss items	-62.9	-24.8	-70.1	-32.0
Unrealized expense on futures contracts	0.0	-2.5	-0.1	-2.6
Profit before tax from continuing operations	-385.7	-36.1	-492.1	-142.5
Average capital employed	871.2	802.5	911.3	762.4
Return on capital employed, %	**-37.1**	**-1.1**	**-46.3**	**-14.2**
Operating income	-324.6	-9.6	-425.1	-110.1
Interest income and similar profit/loss items	1.8	0.8	3.2	2.2
Unrealized income on futures contracts	0.0	0.0	0.0	0.0
Profit/loss after financial income	**-322.8**	**-8.8**	**-421.9**	**-108.0**

Definition of key ratios

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

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

MARGIN METRICS

Gross profit margin
Net sales less goods for resale in relation to net sales.
Purpose: The margin illustrates the proportion of net sales remaining to cover other expenses.

Operating margin
Operating income as a percentage of net sales.
Purpose: The measure is used to measure operational profitability.

Operating margin excluding IFRS 16
Operating profit excluding effects of the IFRS 16 reporting standard as a percentage of net sales (this KPI includes lease charges as an operating expense and not as depreciation/amortization and interest expenses.
Purpose: The measure is used to measure operational profitability and illustrate the effect of the relatively new reporting standard IFRS 16, thus facilitating comparability with earlier periods.

RETURN METRICS

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

Return on capital employed
Profit after net financial items plus financial expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at year-end divided by two. Capital employed is calculated as equity plus interest-bearing liabilities.
Purpose: Illustrates the company's returns independent of financing.

FINANCIAL METRICS

Equity/assets ratio
Shareholders' equity in relation to total assets.
Purpose: Equity/assets illustrates the proportion of assets financed by equity.

Equity/assets ratio excluding IFRS 16
Equity in relation to total assets excluding effects from the reporting standard IFRS 16. (This KPI does not include lease contracts as an asset/liability in the Balance Sheet)
Purpose: Equity/assets illustrates the proportion of assets financed by equity. Removing the effect of the IFRS 16 reporting standard from the KPI facilitates comparability with previous periods.

Net debt
Loans and other current and non-current interest-bearing liabilities less financial assets including cash and cash equivalents.
Purpose: Net debt illustrates the ability to pay off interest-bearing liabilities using available liquid funds if due on the date of calculation.

Net debt excluding IFRS 16
Loans and other non-current and current interest-bearing liabilities less financial assets including cash and cash equivalents, excluding the effect of IFRS 16. The KPI does not include lease contracts as an asset/liability in the Balance Sheet.
Purpose: Net debt illustrates the ability to pay off interest-bearing liabilities using available liquid funds if due on the date of calculation. Removing the effect from the IFRS 16 reporting standard from the KPI facilitates comparability with previous periods.

Net debt equity ratio
Net debt as a percentage of equity attributable to Parent Company shareholders.
Purpose: The measure illustrates the company's financial strength.

Interest coverage ratio
Profit after net financial items plus financial expenses divided by financial expenses and the expense for unrealized results on currency forwards.
Purpose: Interest coverage ratio illustrates the company's ability to cover its financial expenses.

Ratio of net debt and operating income before depreciation/ amortization
Debt less investments and cash and cash equivalents divided by operating income before depreciation/amortization
Purpose: The measure illustrates the company's ability to pay its debts.

SHARE-BASED METRICS

Equity per share
Equity attributable to the Parent Company's shareholders divided by the number of shares at the end of the period.
Purpose: The measure illustrates shareholders' equity per share.

Earnings per share
Net income divided by the weighted average number of shares during the period.
Purpose: The performance measure is used to evaluate investment performance from a shareholder perspective.

OTHER TERMS

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

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

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

Sales points
Physical stores, own e-commerce sites and e-commerce partnerships.

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

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

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

Restructuring expenses
Restructuring expenses are expenses attributable to the separation and disposal project agreed at the AGM December 20, 2018.

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

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

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

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